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HUMAN RIGHTS QUESTIONS

Allegations regarding infringements of trade-union rights in South Africa

Note by the Secretariat

1. The Economic and Social Council, in resolution 1991/37 of 31 May 1991 requested the Ad Hoc Working Group of Experts on southern Africa to continue to study the situation relating to allegations of infringements of trade-union rights in South Africa and to report thereon to the Commission on Human Rights and the Economic and Social Council.

2. The Ad Hoc Working Group of Experts submitted to the Commission on Human Rights at its forty-eighth session a report (E/CN.4/1992/8) prepared in accordance with the Commission resolutions 1991/8 and 1991/21. The section of the report that is relevant to the Council's request is reproduced in the annex to the present note.

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Annex

IV. RIGHT TO WORK AND FREEDOM OF ASSOCIATION

A. Situation of black workers

224. At its 806th meeting in London, a witness from South Africa, speaking in his personal capacity, gave testimony to the Working Group regarding the situation of black workers in that country. He gave a brief background to the laws enacted by the Labour Relations Act as amended periodically and referred to one particular area which was not covered by the Act: workers in the public sector. The legislation, he said, which covered those employed by municipalities, failed to deal with workers employed in the health sector, railway workers, teachers, police, army personnel, central government employees, and regional and provincial government employees. He added that basic workers' rights legislation, for example, unemployment insurance funds or workmen's compensation laws, did not cover a large number of workers in South Africa. He said that 34 per cent of all economically active whites and 14 per cent of all economically active employees of other racial groups were employed in the public sector. Their exclusion from the Labour Relations Act meant that they did not have the right to strike, the basic right to join the trade union of their choice, or the facilities that went with the right of freedom of association. He said some progress had been made with respect to railway workers as a result of their strike action, as well as the fact that the Government of South Africa had embarked on a process of privatization of the railways. Thus, the witness said, the South African Railway and Harbour Workers' Union (SARHWU), an affiliate of the Congress of South African Trade Unions (COSATU), had now been recognized by the state corporation running the railways and had some collective bargaining rights. However, with regard to workers in other sectors, the situation remained unchanged.

225. The same witness stated that ongoing negotiations between COSATU and the Commission for Public Administration (the administrative body of the Government in charge of the public sector) were dealing with the question of trade union rights for the public sector. Although an agreement on the question of the trade union rights of workers in the public sector in general had been reached, there was a deadlock because the COSATU proposal that the Labour Relations Act should be extended to those workers was not accepted by the Commission. The Commission wanted the question to be addressed under a different Act.

226. Referring to farm workers, the same witness said that 600,000 workers were employed every year on a full-time basis in the farming sector and about the same number on a seasonal or temporary basis. Farm workers, who were not covered by the Labour Relations Act, did not benefit from any legislation covering minimum wage, hours of work, sick pay, sick leave or any other basic workers' rights. Further, he said that as a result of pressure from COSATU in 1990, the Government had requested the National Manpower Commission (NMC), a temporary commission set up by the Government, to investigate the rights of

farm workers. NMC had recommended that farm workers be given the same rights as those embodied in the labour laws. The Department of Manpower had amended the recommendations before sending them to the Government by giving wide discretionary powers to the Minister, enabling him to exempt farmers from any or all of the provisions as recommended and thus negating any legislation that might be passed. Another problem faced by farm workers, according to the same witness, was that the basic conditions in statutes such as the Employment Act and the Unemployment and Insurance Fund would only be presented to Parliament for extension to farm workers in 1992. Further, other statutes, such as the Wages Act and the Labour Relations Act, which afforded union rights were only due to be presented to Parliament for discussion in 1993 and it would appear that the Government intended to wait for a further period of two years before adopting the extension of these laws to farm workers.

227. The same witness also dealt with the situation of the estimated over one million domestic workers, the vast majority women, who formed half of the total women in employment. These workers had no protection against dismissal or rights to paid holiday or maternity leave. After negotiations between NMC and COSATU, an agreement had been reached to extend, in principle, the range of rights to domestic workers, but without a commitment to pass legislation - only to promulgate broad guidelines. Therefore, there would be no compulsion on the part of employers to implement them.

228. Concerning workers in the so-called "homelands", where the basic legislation protecting the rights of workers in South Africa was not applied, the same witness said that the so-called "homelands" had attempted to pass legislation in order to prevent South African trade unions from operating within their jurisdiction by enacting, for example, that workers might only join trade unions registered in that particular so-called "homeland", thus automatically preventing workers from joining trade unions registered and headquartered within the official boundaries of South Africa. The witness quoted the example of the position of textile workers in KwaKwa, near Bloemfontein, who might not join a trade union with headquarters in Durban or Johannesburg. He said that in an attempt to redress the problem, COSATU had embarked during the previous 18 months on a process of negotiation and had exerted pressure on all the so-called "homeland" governments, in order to ensure that trade union rights were offered on a national basis. In addition, there had been large-scale industrial action, particularly in Ciskei, Transkei, KwaKwa and Bophuthatswana which, he said, had resulted in numerous detentions and other human rights abuses, especially in the so-called "homeland" of Bophuthatswana.

229. Some of the so-called "homeland" governments had, in principle, agreed to an extension of trade union rights, but the implementation of such agreements had run into difficulties owing to the bureaucratic process of law making, which was particularly cumbersome in the areas in question. Through negotiation and pressure on these governments, the witness reported, COSATU had met with varying degrees of success. COSATU had proposed that a schedule of South African laws applicable to the so-called "homelands" should include the Labour Relations Act. Referring to the schedule, the witness said that it

was currently largely concerned with security legislation. The witness said that the reaction of the governments of the so-called "homelands" to this suggestion was not yet known and, although it seemed that the Government of South Africa would be willing to subscribe to this proposal, its response was not yet clear.

230. The same witness clarified the situation regarding the amendments to the Labour Relations (Amendment) Act of 1988, which had curtailed the rights of workers in many respects, and said that the amendments introduced in particular earlier in 1991 had repealed the 1988 amendments, thus restoring the situation as it existed in 1979, and had reinstated the limited rights previously given to black trade unions, largely in the private sector.

231. At its 812th meeting, in London, the Working Group received testimony from a witness from the University of Cape Town concerning the situation of farm workers. It was hoped to extend to them the provisions of the Basic Conditions of Employment Act, especially in respect of working conditions, hours of work, overtime and leave pay, but the bill in question had not been tabled in Parliament and had been deferred until 1992. Similarly, farm workers had not yet been included under the Unemployment Insurance Act.

232. The witness also referred to the situation of mineworkers and domestic workers, which was far from satisfactory. As they were not protected under any statutes, their rights were governed by the general common law, which did not protect the rights of workers in respect of freedom of association or against victimization for trade union activities.

233. In testimony to the Working Group at its 812th meeting, in London, a representative of the International Labour Organization (ILO) referred to the situation of workers in the agricultural sector, estimated to be in the region of 1.3 million employed on a regular basis, and another half million seasonal workers. In ongoing discussions and recommendations by NMC, dealing with agricultural as well as domestic workers and those in the public sector, the witness said, consistent reference had been made to international labour standards. However, proposals so far fell far short of even the Labour Relations (Amendment) Act.

234. The same witness pointed out that the Labour Relations Act of 1979 and all amendments to it over the years had never extended or applied to the so-called "homelands" in South Africa. They therefore operated under the previous Industrial Conciliation Act or even the notorious Master and Servant Act. The legal situation of workers in the so-called "homelands" was totally unacceptable.

B. Trade union activities

235. It was reported in The Independent of 25 June 1991 that the trial of four COSATU officials, Mr. Jay Naidoo, General Secretary of COSATU, Mr. Sidney Mufamadi, Assistant Secretary of COSATU, Mr. Moses Mayekiso,

General Secretary of the Metal Workers' Union (MWU) and Mr. Babe Schalk, had begun on 24 June 1991, under heavy police guard. The union officials, charged with the assault and kidnapping of a suspected police spy, had reportedly pleaded not guilty. The proceedings were alleged to have been filmed by the police. The trial had reportedly arisen out of incidents which took place on 28 August 1990, when a man allegedly behaving in a suspicious manner outside the COSATU premises in Johannesburg and who had been following a prominent anti-apartheid activist, was dragged inside by union officials, who discovered that he was carrying a two-way radio. It was further reported in The Guardian and the International Herald Tribune of 16 October 1991 that the four accused faced sentences ranging from probation to life imprisonment, following their conviction on 15 October of the kidnap and assault of a plain-clothes policeman. Sentences would reportedly be announced at a later hearing.

236. On the same subject, The Times of 25 June 1991 reported that veteran anti-apartheid campaigner Archbishop Trevor Huddlestone had joined African National Congress (ANC) leaders and some 150 black workers in a protest against the aforementioned trial. Addressing protestors outside the magistrate's court before the trial began, the 78-year-old Anglican prelate reportedly said that the prosecution was in breach of a government pledge to ANC to halt political trials.

237. The Guardian of 25 July 1991 reported that security branch documents which it had obtained indicated that the South African secret police and the Inkatha movement had jointly run the United Workers Union of South Africa (UWUSA).

238. At its 812th meeting, the Working Group was informed that, over the previous 12 months, a fundamental change in the relationship between trade unions, employers and the State had taken place. A series of negotiations with the South African Employers' Consultative Committee on Labour Affairs (SACCOLA) and then with the State administration, including the Department of Manpower, had culminated in the Labour Minute (or "Laboria") of September 1990, under which the State agreed that no new legislation would be introduced without prior consultations with representatives of the trade union movements. It had also been agreed that NMC would be restructured on a representational basis and that COSATU and the National Council of Trade Unions (NACTU) would serve on the Commission. This was the first time that organizations associated with liberation movements in South Africa had agreed to serve on a statutory tribunal and it would provide a way for the trade union movements to participate and assist in the formulation of new labour law. Although the proportion of representation was still under discussion, the witness said that the process was expected to be finalized by the end of December 1991.

239. The same witness referred to the government funding of the Inkatha Freedom Party and its affiliate, UWUSA, which had affected the trade union situation in South Africa. Referring to the Labour Minute, the witness said that it was envisaged that public sector workers would come under the Labour Relations Act within a period of two years.

240. The representative of ILO, in testimony at the 812th meeting, referred to a tripartite workshop on the Labour Relations Act which the ILO had organized in May 1990 at Harare. This had been the first occasion when trade unions, including major ones like COSATU and NACTU, had been brought together with SACCOLA and some members of the legislative committee of NMC to examine ILO standards in the field of employment, in relation to the Labour Relations Act. It led to a range of measures to improve the Act and to eliminate its more unacceptable features, and finally resulted in the introduction and adoption on 1 May 1991 of the Labour Relations (Amendment) Act of 1991.

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REGIONAL COOPERATION

Summary of the survey of economic and social conditions in Africa, 1991-1992

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I. THE OVERALL SITUATION IN AFRICA

1. Economic growth continued to be weak in 1991, with output rising by only 2.3 per cent compared to 3.2 per cent in 1990 and 2.7 per cent in 1989. This lacklustre performance implies that the continuous decline in per capita income, which has typified the continent's socio-economic profile since the early 1980s, continued in earnest in the opening years of the new decade. The major domestic factors explaining the slower growth of the continent's output are the known structural dislocations of the African economy, notably its low level of domestic interlinkages, rigid production lines and the continued resource constraints for the supply of production inputs, maintenance and creation of new capacities: hence the decline in gross fixed capital formation and stagnation of the investment ratio at about 15 per cent. Political upheavals and transition to the creation of a market-friendly economic environment in many countries have also created their own disruptions and dislocations. These factors were reinforced by the worsening of the international economic environment for Africa, notably through the prolonged recession in countries members of the Organisation for Economic Cooperation and Development (OECD), Africa's major trade and development partners, the resulting stagnation in world trade and poor demand for Africa's exports. Commodity prices continued to fall while oil prices remained depressed at under US$ 20 a barrel and demand flat. The lower price of oil cut into the revenues of the oil exporting countries as production increases could not match lower prices. Also, the African countries dependent on traditional commodities found little or no financial respite from the continuing fall in the prices of such commodities as copper, aluminium, gold, silver, cocoa and coffee.

2. In addition to the problems associated with sluggish growth and poor investment, the African economy has also to contend with problems of inflation, external debt overhang, very low and stagnant share in world trade, low level of industrialization, technological lag and the continued deterioration in almost all social indicators, including the intensification of poverty.

3. Practically all main economic sectors contributed to the poor performance of the African economy in 1991. The Food and Agriculture Organization of the United Nations (FAO) estimates that the volume of agricultural production rose by 2.6 per cent in 1991 compared to only 0.8 per cent in 1990, with cereal, fibres, root crops, and livestock production all up in volume. But though the overall food situation is satisfactory, an emergency situation persists in the Horn of Africa, and, to a lesser extent, in Liberia, Angola, Mozambique, Sierra Leone and Zaire. And despite the increase in cereal output, cereal inputs requirements for sub-Saharan Africa were set at 10.5 million tons in 1991. For industrial crops the fortunes in 1991 were generally better except for coffee. Tobacco and cotton made substantial gains, 13.3 per cent and 7.2 per cent respectively, while sugar production increased by only 0.8 per cent. Coffee output declined by 2.4 per cent, while prices were at record lows in 1991.

Table 1. Developing Africa: economic indicators, 1989-1991

	1989	1990	1991
Output growth (percentage)			
Developing Africa	2.7	3.2	2.3
Oil exporters	3.0	4.0	0.3
Non oil-exporters	2.3	1.7	0.6
Agricultural production (percentage growth)	1.9	0.8	2.5
Oil production (million tons)	293.5	321.2	336.5
Commodity prices growth a/ (percentage, 1980 = 100)	-1.9	-3.9	-3.5
Consumer prices growth (percentage, 1980 = 100)	32.3	15.8	46.6
Current account deficit (billion dollars)	16.0	6.7	8.9

Source: ECA secretariat.

a/ Not including oil.

4. The performance of the manufacturing sector was also very poor, with output estimated to have risen by only 1.3 per cent in 1991 compared to 2.1 per cent in 1990. In addition to structural factors, the poor results could be explained by the lower agricultural supply and the non-availability of spare parts and imported inputs. Indeed, available information points to a reduction of capacity utilization in 1991, which, in many cases, was around 45 per cent for the major sectors of the manufacturing industry. The declining trend in foreign direct investment in the African region continued in 1991, reinforcing the continuous decline in domestic investment in industry. However, there is an apparent shift of emphasis towards small and medium-sized enterprises and for projects using domestic raw materials.

5. In the mining sector, output rose by only 2.3 per cent in 1991, compared to 7.0 per cent in 1990. The output of non-fuel minerals either declined or stagnated while oil production rose by 5 per cent, compared to 10 per cent in 1990. Lower oil and metal prices, as noted earlier, reduced export revenues and forced many mineral exporting countries to reduce imports or suppress their growth.

6. Against a background of sluggish output growth and the transition to institute market-friendly economic policies, inflation rates picked up considerably, from 15.8 per cent in 1990 to 46.6 per cent in 1991. The rapid acceleration in the rate of inflation could be traced largely to supply shortages, currency depreciation, heavy budget deficits, price liberalization measures and the virtual destruction of economies such as those of Liberia and Somalia. In contrast, price levels remained fairly stable in the Franc Zone countries, essentially because of the cautious monetary and fiscal policies pursued in these countries.

7. These economic slippages notwithstanding, stabilization measures dominated the economic scene in most African countries in 1991. A number of countries notably Algeria, Egypt, Kenya, Madagascar, Mozambique, the Sudan and Zimbabwe either devalued their currencies or introduced changes with a view to unifying their exchange rates and bringing about a desired market stability. Measures to free the price system were also taken in a number of countries, including Algeria, Angola, Egypt, Kenya, the Sudan and Zimbabwe. Many countries such as Comoros, Côte d'Ivoire, Egypt, Guinea, Kenya and Lesotho, either privatized sections of their public sector or introduced measures to reform the ownership, control and management of public enterprises. There were also tangible efforts to reform investment codes and reduce budget deficits.

II. THE SUBREGIONAL PICTURE

8. As was in previous years, there were significant variations and divergence among the subregions and economic groupings and countries in Africa during 1991. Output performance in 1991 was weak and generally poorer than that of 1990, except in North Africa. In North Africa output grew by 3.4 per cent against 2.8 per cent in 1990, mainly due to a recovery in agriculture and tourism. In West Africa, which performed better than the average for the whole region, output grew by 3.2 per cent. East Africa and Southern Africa performed poorly with 1.5 per cent and 1.3 per cent growth respectively in 1991. The Central Africa subregion was the hardest hit by the economic down-turn with a negative growth of 3.6 per cent.

9. The African least developed countries (LDCs) continued in poor form with output growth dropping from 2 per cent in 1990 to only 1.3 per cent in 1991. This is largely a reflection of the known structural limitations of this group which seem to outweigh the positive impact of policies designed to boost their productive capacities. This trend, if allowed to continue further, should be a major cause for alarm as it suggests that poverty is increasing, rather than decreasing, in this group of countries.

10. Owing to lower oil prices and persistent structural problems, the oil exporters did not do as well in 1991 as in 1990. They recorded a growth rate of 3.3 per cent, compared to 4 per cent in 1990. Issues related to economic restructuring, utilization of existing capacity and reinforcement of the social sector seem to have increasingly engaged the attention of policy makers in this group of countries as the diversification of the economy away from

dependence on oil became a major preoccupation. However, the relaunch of the economies appears still fraught with difficulties and inflexibilities. Also, some of the countries in the group, such as Algeria and Nigeria, face serious debt servicing problems. In Algeria, for example, debt service takes a large share of export revenues. Whereas the oil exporters maintained their modest gains in 1991, the economies of the non-oil countries slipped in further difficulties with growth falling sharply from 3 per cent in 1989 to 1.5 per cent and 0.6 per cent in 1990 and 1991 respectively. Countries exporting minerals and beverages have been particularly affected.

Table 2. Developing Africa: growth output, by subregion and economic grouping, 1989-1991

Country group	Per capita GDP (in current dollars) 1990	Share of total output 1990	Output growth a/ 1989	1990	1991
North Africa	1 135	54.0	2.4	2.8	3.4
Sub-Saharan Africa b/	340	48.9	3.0	3.3	1.5
Central Africa c/	500	10.4	-0.3	0.1	-3.6
East Africa d/	279	17.3	3.2	2.2	1.3
Southern Africa	374	9.5	2.6	1.0	1.5
West Africa	339	18.3	3.8	5.1	3.2
Sahel	379	6.9	2.6	1.1	2.2
Sub-Saharan Africa without Nigeria	385	43.8	3.8	1.5	0.3
Oil exporters	812	61.0	2.2	4.0	3.3
Non-oil exporters	350	39.0	3.0	1.2	0.6
Least developed	537	23.8	2.3	2.0	1.3
Other e/	219	15.2	1.4	1.6	0.2
Franc Zone	593	13.9	1.1	0.2	1.3
Mineral exporters	381	7.9	0.1	0.5	-3.7
Beverages exporters	241	13.0	3.6	2.0	1.0
Developing Africa	524	100.0	2.7	3.2	2.3

a/ 1980 prices.

b/ Including the Sudan, which is a member of the North African group.

c/ Including Southern Africa.

d/ Including the Sahel.

e/ Non-LDCs and non-oil exporters.

III. THE EXTERNAL SECTOR

11. As a reflection of poor domestic performance and the continuation of adverse external factors, export performance weakened by 5.7 per cent in value terms despite a volume increase of 3 per cent in 1991. This, together with other external resource constraining factors, led to the limitations of import growth to only 3.8 per cent, in terms of value, and only 2.4 per cent in terms of volume, thereby seriously undermining efforts to increase critically needed imported inputs and machinery. As a result, the regional trade deficit rose from US$ 2.5 billion in 1990 to US$ 7.3 billion in 1991, while the current account deficit rose from US$ 6.7 billion to US$ 8.9 billion during this period. The payments position of the non-oil exporters in particular remained extremely tight.

Table 3. Indicators of the merchandise trade of African countries, 1989-1991

(Annual percentage change)

	1989	1990	1991
Exports			
Value	15.8	24.6	-5.6
Volume	13.2	15.0	2.9
Unit value	2.3	8.3	-8.3
Imports			
Value	9.6	11.6	3.6
Volume	7	3.3	2.4
Unit value	2.4	8.0	1.2
Terms of trade	-0.1	0.3	-9.4
Purchasing power of exports	13.1	15.4	-6.7
Share of developing Africa in world trade	2.1	2.3	2.2

Source: ECA secretariat.

12. Africa's terms of trade deteriorated by 9.8 per cent in 1991, while the purchasing power of exports decreased by nearly 7 per cent. This result largely reflected the drop of export prices by 8.3 per cent, arising essentially from the significant slow-down in world trade in 1991. ECA's commodity price index (with 1980 base) shows a fall of 3.5 per cent relative to 1990. The rest is accounted for by weaker oil prices during 1991. Beverage prices, which have been in a steep downward trend since 1988, reached their lowest level so far in 1991. For coffee and cocoa, the oversupply in the market continued to pull down prices. Metal and mineral prices also declined. For copper, the most important metal of Africa, prices went down by 12 per cent. Cotton and sugar prices also weakened.

13. For the major oil exporters, export revenues decreased by 9.7 per cent as a result of the weakening of oil prices which dropped by 17 percentage points in 1991. In contrast, exports from the oil-importing countries rose by 4 per cent in value, to around US$ 21 billion, or 29.5 per cent of total developing Africa's exports. The average picture however masks diverse and sometimes considerable differences in export performance. Many countries seem to have experienced declines in export earnings while some others registered tangible returns during the year.

14. Also the external debt overhang continued with the stock of debt, though falling slightly by 0.7 per cent (owing primarily to the cancellation of part of Egypt's debt), remaining at the high level of US$ 275.1 billion, amounting to 72.8 per cent of the total output of the continent. Debt service obligations are estimated at about 27.5 per cent of exports of goods and services in 1991. There has not been any significant debt relief for Africa, except for Egypt, in 1991, despite the increase in the number of options under the Toronto Plan, which currently provides the main negotiating framework for debt management of low income countries.

IV. THE SOCIAL SITUATION

15. The social scene deteriorated further in 1991 in terms of such critical social indicators as education and health. This notwithstanding, special attention is now being given to the improvement of the social context of development, notably through progressive recognition of and efforts to introduce democratic practices and structures. In 1991, the health sector in Africa continued to face daunting problems. Lack of financial resources greatly constrained government efforts to improve health conditions. Indeed, the major health bottlenecks seem to have grown more complex. The poor health status of the African population has been accentuated by an unsanitary environment and the inadequate application of the United Nations Expanded Programme of Immunization (EPI) against the six major killer diseases of children. Also, despite the considerable strides in the educational sector, current projections indicate that the number of illiterates will increase, rather than decrease, in sub-Saharan Africa by the year 2000. Currently, 90 per cent of the adult population remains illiterate, 90 per cent in rural Africa. The adverse impact of these ratios on development prospects are

obvious and very alarming. The decline in gross enrolment ratio at the first level, which characterized particularly the closing years of the 1980s, has continued into the 1990s.

16. The unemployment situation also worsened further in 1991, as the rate of expansion of employment (2.4 per cent) continues to fall short of the rate of population growth (3.1 per cent). With current rates of GDP growth, prospects for employment expansion in the 1990s remain bleak.

17. While civil strife continues unabated in a number of African countries, increasingly there has been a recognition of the need to solve internal disputes through peaceful means and restoration of the rule of law. There has also been significant progress in the march towards democratization in the continent. During 1991, peaceful transfer of power through elections was accomplished in a number of countries, including Benin, Cape Verde, Guinea-Bissau and Equatorial Guinea. Also, free elections based on multi-party democracy are planned in a number of countries, including Burundi, Cameroon, Comoros, Ethiopia, Kenya, Mali, Mauritania, Rwanda, Seychelles, Sierra Leone, Uganda and the United Republic of Tanzania.

V. OUTLOOK FOR 1992

18. A number of uncertainties - both internal and external - are expected to influence the prospects for the African economy in 1992. Externally, a major factor is the health of the economies of the industrialized countries, Africa's main trade and development partners, as the performance of these economies will greatly influence the continent's export performance and determine the level of resources that could be made available to support its reform programmes. The configuration of direction of world trade is changing fast, the impact of which is still to be precisely assessed. The year 1992, it is to be noted, is also the inaugural year for a Single European Market. The stalemate in the Uruguay Round of negotiations further compounds the uncertainties. Domestically, the continent is in transition politically and economically. With the above conditions in mind, ECA prepared preliminary projections for 1992, based on a number of assumptions, notably: a fairly strong recovery in the economies of industrialized countries; oil prices in the neighbourhood of $21 a barrel; prevalence of fair weather and a stabilized political situation on the continent at large. If these conditions obtain, overall output will pick up from 2.3 per cent in 1991 to about 3.4 per cent in 1992. The rebound will be felt much more strongly in the non-oil-exporting countries which are expected to grow by 4.2 per cent, compared to 0.6 per cent in 1991. Oil exporters are expected to maintain their 1991 growth of 3.3 per cent. It should however be emphasized that given the fragility of the African economy and its vulnerability to external shocks and the wide range of parameters impinging on Africa's development, these projections are mere base-line preliminary forecasts and may need to be revised as the year progresses and more information becomes available.

Table 4. Outlook, 1992

Group/subregion	GDP growth (percentage)			
	1980-1990 (average)	1990	1991	1992
Developing Africa	2.1	3.2	2.3	3.6
North Africa	2.3	2.8	3.4	4.0
Central Africa	2.4	0.1	-3.6	4.4
Eastern Africa	2.7	2.2	1.3	4.6
West Africa	1.6	5.1	3.2	2.5
Sub-Saharan Africa	1.9	3.3	1.5	3.4
Sub-Saharan Africa without Nigeria	2.3	1.5	0.3	4.2
Oil exporters	2.0	4.0	3.3	3.2
Non-oil exporters	2.4	1.7	0.6	4.2
Least developed countries	2.4	2.0	1.3	3.6

Source: ECA secretariat.

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SOCIAL DEVELOPMENT QUESTIONS: SOCIAL DEVELOPMENT

Status and role of cooperatives in the light of new economic and social trends

Report of the Secretary-General

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* A/47/50.

I. INTRODUCTION

1. In paragraph 4 of its resolution 44/58 of 8 December 1988, the General Assembly requested the Secretary-General, in consultation with Member States and relevant organizations of the United Nations system, to prepare a report on the status and role of cooperatives in the light of new economic and social trends and to submit it, through the Economic and Social Council, to the General Assembly at its forty-seventh session.

2. In pursuance of the General Assembly's request to consult with Member States, the Secretary-General transmitted in July 1991 a comprehensive questionnaire to all Governments. 1/ By the end of January 1992, replies from 28 governmental agencies in 23 countries had been received 2/ as well as 8 replies from non-governmental organizations representative of cooperatives in 6 countries, whom the respective Governments had asked to respond to the Secretary-General's inquiry. 3/ The Secretary-General's questionnaire was transmitted by the International Federation of Agricultural Producers (IFAP) to its members, of which seven replied. 4/ The Executive Secretary of the Committee for the Promotion and Advancement of Cooperatives (COPAC) supplemented the Secretary-General's questionnaire with an inquiry addressed to the COPAC network of national focal points, of which seven responded from five countries. 5/ By these various channels, the Secretary-General had available 48 replies from governmental agencies or national representative organizations of cooperatives in 42 countries.

3. In pursuance both of the General Assembly's request in its resolution 44/58 to consult with relevant organizations of the United Nations system and also of long-standing requests of the Assembly and the Economic and Social Council to collaborate closely with relevant international apex organizations of cooperatives, the Secretary-General availed himself of the possibilities offered by United Nations membership of COPAC 6/ to benefit from a wide-ranging discussion at the Committee's 45th meeting, in February 1991, and at its 46th meeting, in September 1991, of the nature of relevant trends and their impact upon the cooperative sector, and of the means whereby cooperatives might best contribute to economic and social progress and whereby Governments and the intergovernmental community might best help to create a favourable environment for their further development. A first draft of the present report was reviewed comprehensively by COPAC at its 47th meeting, held in March 1992. This collaboration with the six other members of COPAC - the International Cooperative Alliance (ICA), the World Council of Credit Unions (WOCCU), IFAP, the International Federation of Plantation, Agricultural and Allied Workers (IFPAAW), the International Labour Organisation (ILO) and the Food and Agriculture Organization of the United Nations (FAO) - has been of the greatest value given their extensive expertise. The COPAC secretariat, in collaboration with the United Nations, has prepared a global survey of the status and role of cooperatives in the light of new economic and social trends. This is intended, by its comprehensive treatment of the issues reviewed succinctly in the present report, to serve as its substantive complement.

II. RECOMMENDATIONS

4. On the basis of the present report, the following recommendations are made for consideration by the General Assembly:

(a) In view of the broad significance of cooperatives in most societies and their potential for contributing to the solution of major problems, the General Assembly may wish to re-emphasize its support for them, and for those elements of the international community, including both international representative organizations of cooperatives and intergovernmental organizations, engaged in establishing an environment conducive to their development. For this purpose, the General Assembly may wish to consider the steps that might be taken to realize the idea of proclaiming a United Nations International Year of Cooperatives or, alternatively, a United Nations International Decade for Cooperatives, given the substantial support already shown for this idea by some Governments and by the international cooperative movement. In this regard, the Assembly may wish to note that 1995 marks the centenary of the foundation of ICA. The Assembly may wish also to call for observation by the United Nations system of the International Day of Cooperatives already observed by the global cooperative movement under the aegis of ICA; 7/

(b) Given that Governments have an important role in establishing and maintaining an environment conducive to cooperatives, and that recommendation No. 127 concerning the role of cooperatives in the economic and social development of developing countries, adopted by the General Conference of ILO in June 1966, constitutes a comprehensive set of policy recommendations and has been taken note of already by the Economic and Social Council in its resolution 1491 (XLVIII), the General Assembly might wish to re-emphasize its continuing relevance for the formulation of governmental policy concerning cooperatives, not only in the countries of Africa, Asia and Latin America, but also in those of Central and Eastern Europe and the Commonwealth of Independent States, and to urge all Governments to make renewed efforts to implement each of its measures and provisions, particularly in the context of General Assembly resolution 46/166 of 19 December 1991 on entrepreneurship;

(c) Given that cooperatives are of considerable economic importance in many Member States, that regional and interregional trade between them is growing significantly, that they contribute to the successful achievement of the objectives of structural adjustment while ameliorating the severity of the impact of such changes, and that they are able to play a significant role in the achievement of an ecologically rational and sustainable form of development, the General Assembly might wish to consider how best to ensure that it is able to give adequate consideration to the economic and environmental significance of cooperatives, in addition to their social significance;

(d) Because of the importance in many economies of revitalizing agriculture and stimulating comprehensive rural development, the General Assembly may wish to recommend to Member States that they should take all appropriate measures, in collaboration with IFAP and other relevant international organizations, to promote and strengthen independent representative organizations of agricultural producers, including cooperators; to encourage their full participation in all decision-making forums related to agriculture; to support regional initiatives undertaken by farmers' organizations; and to encourage more effective partnership between farmers and agricultural researchers;

(e) Given that socially appropriate and ecologically sustainable rural development is of the greatest importance to the solution of numerous economic, social, demographic and environmental problems, the General Assembly may wish to invite Member States, with the support of relevant components of the United Nations system, to take priority action to implement the Plan of Action for People's Participation in Rural Development adopted by the FAO Conference at its twenty-sixth session in 1991;

(f) The General Assembly may wish to draw the attention of Member States undergoing significant structural adjustment to the benefits, in terms of mobilizing local savings and financing entrepreneurial efforts, of promoting and supporting savings and credit cooperatives, and to recommend that they avail themselves of the help of WOCCU and other relevant international organizations in establishing them and in ensuring their efficiency and stability;

(g) In the context of the implementation of the Nairobi Forward-looking Strategies for the Advancement of Women to the Year 2000 and of preparations for the Fourth World Conference on Women: Action for Equality, Development and Peace, to be held in 1995, the General Assembly may wish to urge Member States to give full attention to cooperatives as a means to advance gender equality;

(h) In view of the increasing scope of the work of COPAC, the General Assembly may wish, as the Economic and Social Council has done already in its resolution 1668 (LII), to urge United Nations specialized agencies that have a substantial interest in cooperatives, in particular the World Bank, the International Fund for Agricultural Development (IFAD) and the United Nations Industrial Development Organization (UNIDO), as well as other concerned intergovernmental organizations and international cooperative organizations not yet members, to take up early membership in COPAC and to ensure its effectiveness by their contribution to it of appropriate resources; 6/

(i) The General Assembly may wish to indicate to the Secretary-General the priorities that he should attach, during the programme budget period 1994-1995 and in respect to the preparation of the medium-term plan for 1996-2001, to the work of the United Nations in respect to monitoring the status and role of cooperatives in changing economic and social conditions;

policy analysis in respect to cooperatives; consideration of cooperatives in the formulation, monitoring and execution of international strategies, plans and guidelines; and operational activities to promote and support cooperatives.

III. SITUATION IN WESTERN EUROPE, NORTH AMERICA, AUSTRALIA, NEW ZEALAND AND JAPAN

5. These economies, which have been fully acknowledged to be "mixed" in that there exists a substantial State partnership with the private sector, are "mixed" also in that cooperatives constitute a most significant element of the private sector and hence of national and regional economies. This can be illustrated by reference to the share of the market occupied by cooperatives in many areas of the economy during 1989-1990. Cooperatives set up by independent farmers for purchasing inputs, obtaining services and credit and marketing produce are of great importance. For example, more than half of the European agricultural product is harvested, processed or sold through cooperative marketing systems. Certain market shares are much higher, those for dairy products varying between 60 and 100 per cent. In the Netherlands, 95 per cent of flowers, 82 per cent of vegetables and 75 per cent of fruit produced are marketed by cooperatives. In Norway, cooperatives are responsible for 73 per cent of timber production. In Japan, almost all farm households are members of agricultural cooperatives. In the United States of America, over 40 per cent of exports of nuts and nut products, 32 per cent of fruit and fruit products, 25 per cent of cotton and nearly 15 per cent of grains and feeds are handled by cooperatives, responsible for nearly 12 per cent of all exports.

6. Large shares of retail markets (33 per cent in Denmark, 25 per cent in Norway) are occupied by consumer cooperatives. In Belgium, 20 per cent of the population is supplied by cooperative pharmacies. In Sweden, petrol cooperatives supply 18 per cent of the market, 17 per cent of housing is provided by cooperatives and the cooperative Folksam Group insures 45 per cent of households in the householder's comprehensive insurance field. Within the financial sector, cooperatives enjoy a significant market share: that of cooperative banks within the European Community (EC) is 17 per cent. Credit unions play a significant role: at the end of 1990, individuals who were members of member organizations of WOCCU made up between 35 and 45 per cent of the adult population in Australia, Canada, Ireland and the United States. In the Province of Quebec, in Canada, the percentage was more than 60. In the United States alone there were 55.7 million members, US$ 181 billion in savings, $129 billion in loans, with assets of $200 billion. The average annual rate of growth between 1985 and 1990 was 5.8 per cent for members, 12.0 per cent for savings, 13.3 per cent for loans and 12.3 per cent for assets.

7. The major role of cooperatives in the market economy is recognized by most Governments. For example, the United States Department of Agriculture informed the Secretary-General that, in a 1987 report commissioned from it by the Senate Agricultural Appropriations Subcommittee, it had stated that "cooperatives remain the single most effective way farmers can improve their economic circumstances. In cooperatives farmers are dealing collectively with their problems and seeking solutions through organizations they create, own, control and operate on their own behalf. This is the fundamental meaning of cooperation and the essence of the American economic spirit."

8. Cooperatives in many countries and sectors are proving to be entirely capable of adjusting to pervasive shifts in economic organization. Liberalization policies and increasing competition have caused an accelerating process of consolidation, diversification and specialization of private non-cooperative enterprises. This has affected some cooperatives adversely, but at the same time has made them even more relevant to the survival strategies of many individuals. Withdrawal of public agencies from certain activities and growing unemployment have stimulated the appearance of successful new categories of cooperative: for example, those providing child care. In EC particularly, from the mid-1970s to the mid-1980s, many worker or production cooperatives were formed, mainly as a means to avoid unemployment. Large industrial groups have set up workers' cooperatives to safeguard production from a branch experiencing difficulties or to avoid the social damage of closure.

9. Cooperatives have responded by their own consolidation and diversification. They have achieved considerable vertical integration in agriculture, established financial support conglomerates, and expanded international cooperatives within Europe, and between it, North America and Japan. Amalgamations have linked not only cooperatives in different countries, but those in one country with non-cooperative enterprises in another: for example, between the Basque cooperative FAGOR, a member of the Mondragon group, and the French Thompson group. The new entity is likely to occupy 10 per cent of the European market for domestic electric appliances.

IV. SITUATION IN CENTRAL AND EASTERN EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES

10. Liberalization and privatization policies designed to achieve full transformation to a market-determined economic system were initially hostile to all forms of cooperative endeavour, identified very closely by the public and Governments alike with previous regimes. 8/ For these reasons, cooperatives have faced complex problems. Recently, a climate more favourable to development of true cooperatives has been established in some countries. A very rich experience has been accumulated of dealing with circumstances hitherto never experienced by any society, nor any cooperative movement. To supplement the very strenuous activities of cooperatives themselves, a

comprehensive (although still insufficiently coordinated) international programme is transferring knowledge and experience.

11. This progress reflects realization by Governments that economic transformation is by no means easy. They are better aware of the numerous problems involved in such unprecedented change, and that its negative effects upon living standards require urgent attention. The public has realized that the expected fruits of privatization will not be quick to appear, and that cooperatives are able to play an important role in absorbing unemployment and providing goods and services. Entrepreneurs are realizing that the cooperative mode is by no means antagonistic to success. They and officials are now more familiar with the real role of cooperatives in existing market-determined societies. In agriculture there is better understanding of the strategic importance of cooperatives set up by independent farmers to supply inputs and to market outputs, as distinct from the inefficient agricultural production cooperatives of the previous economic system. Particularly in the Commonwealth of Independent States, cooperatives have been among the first enterprises to act on the basis of market relations, thereby leading the way in the revitalization of local, regional and ultimately national economies. Socio-psychological benefits are accruing to an increasing number of citizens unused to an active role in any association but gaining experience through their membership in true cooperatives.

12. At present, the situation is far from static, with governmental positions shifting along a continuum ranging from lingering support for long-established pseudo-cooperative structures through uncertainty to support for newly established true cooperatives. However, even where Governments have at least partly reversed their previously cautious position, practical problems remain severe and complex. A major problem has been the establishment of an appropriate legislative environment in respect to land and other property rights. Several steps have been found necessary in order to overcome severe difficulties in putting into effect legislation once adopted. For example, in Czechoslovakia in November 1991 Parliament adopted a commercial law containing a section on cooperatives, and replacing laws adopted in May 1990. However, application of the law was difficult because of the special nature of the previous status of cooperatives and the complexity of regularizing their position. Hence, in December 1991, Parliament adopted the Law Regulating Property Relations and the Settlement of Property Rights in Cooperative Societies. By this means, legislation has become virtually the same as that in Western Europe. Nevertheless, numerous practical difficulties remain concerning execution of the transformation now permitted by legislation here and in other countries.

13. A radical restructuring of the financial marketplace is taking place. Most countries are seeking large amounts of foreign capital, yet much capital can be mobilized domestically if appropriate vehicles are established. Elsewhere, it has been widely demonstrated that credit unions can play an important role in mobilizing domestic savings, instilling the value of personal thrift, and reinvesting such savings in local communities through

individual provident and productive loans. Consequently, with an appropriate legal and governmental policy framework, credit unions may be able to contribute significantly to solution of financial problems. International assistance is available: during the past three years, WOCCU has been able to respond to requests for help by utilizing the diverse resources available through the international credit union movement. Assistance strategies, defined in collaboration with local representatives, are most advanced in Poland, Hungary, the Russian Federation and Ukraine. A workshop on Credit Union Development in Central and Eastern Europe was held in February 1992 by WOCCU and ICA, in collaboration with ILO.

V. SITUATION IN AFRICA, ASIA (EXCEPT AUSTRALIA, NEW ZEALAND AND JAPAN) AND LATIN AMERICA

14. The impact on cooperatives of economic changes has been varied but by no means always negative. Certain types of cooperative have found that the new situation has presented them with opportunities that they were better able to realize than other types of private enterprise. In Egypt, where agricultural cooperatives were responsible for all rice and cotton exports and half of exports of potatoes and horticultural products, the Central Agricultural Cooperative Union considered that structural adjustment would improve efficiency and competitiveness. Cooperatives have benefited particularly from the withdrawal of public agencies from certain functions. Those established spontaneously without governmental involvement have been best able to adapt to new circumstances and to seize new opportunities. For example, in Colombia producer cooperatives, which have expanded vertically to establish their own exporting company, now account for 50 per cent of the leading export commodity, coffee. The early 1980s had been marked by banking and financial crises, but credit unions and banking cooperatives had emerged unaffected and with an enhanced credibility. Persons made redundant from State enterprises established labour contracting cooperatives, and then provided technical services to the enterprises that had formerly employed them. Labour contracting cooperatives now maintain most of the national road system, formerly a public sector responsibility, in successful partnership with the Ministry of Public Works and Transport.

15. There is evidence of very varied and innovative cooperative activities in many countries, from solar energy cooperatives in Tuvalu to separate cooperatives of dentists, security guards and computer trainers in Singapore. The secretariat of the Caribbean Community (CARICOM) reports that cooperatives have tremendous potential in the Caribbean, particularly in the context of structural adjustment measures. Cooperatives, including credit unions, are well placed to deal with the social effects of adjustment on the vulnerable groups from which they draw most of their most members. Well-managed credit union facilities for small businesses can stimulate self-employment and job creation. Human resources can be effectively harnessed through the cooperative movement in a region in which their membership is over 1 million

in an overall population of about 5.6 million. In many countries of Africa, Asia and Latin America, it was considered that cooperatives contributed effectively to achievement of a more sustainable relationship between human society and its natural environment. It was widely perceived that cooperatives contributed significantly - as "schools for democracy" - to democratization.

16. In many countries, credit union growth has continued to be very impressive. At the end of 1990, membership in 75 countries stood at 11.7 million, with individual savings of $6,657 million. This represented average annual growth in the period 1985-1990 in Africa of 8.2 per cent in members, 13.4 per cent in savings; in Asia of 38.8 per cent in members and 85.9 per cent in savings; in Latin America of 14.0 per cent in members and 8.9 per cent in savings; and in the Caribbean of 9.7 per cent in members and 18.7 per cent in savings. Credit union growth rates in loans, reserves and assets were similar. Nevertheless, in many countries cooperators feel that Governments maintain an unnecessarily paternalistic stance in respect to credit unions.

17. While among the less advantaged strata, there are numerous forms of "precooperative" entities (enterprises operating on cooperative principles but not meeting requirements for formal registration), it has been difficult to transform them into full and effective cooperatives because their members lacked adequate education and organizational, accounting and technical experience. This was considered a major problem, for example, by the Organization of Brazilian Cooperatives, which pointed to the virtual absence of cooperatives in the least developed regions of the country, where it might have been thought the population would benefit considerably from their existence, and conversely to their very substantial development in more prosperous areas. The task remains of understanding more perfectly those circumstances that favour and those that impede further successful cooperative expansion. An important difference exists between a spontaneous expression of interest in cooperation arising from everyday conditions on the one hand, and on the other hand imposed structures, not entirely compatible with local behavioural norms and not necessarily serving the immediate economic interests of individuals and communities.

18. Cooperatives established by governmental initiative and remaining closely tied to State monopolies in production and export, have lacked the vitality and flexibility needed to adjust to new circumstances. In a number of countries that have recently begun a process of transformation from non-market forms of economic management, cooperatives formerly integrated within the State sector are being privatized or, given a lack of interest in them by more dynamic elements of the private sector, merely abandoned. However, in many market-oriented countries in Africa and Asia, pseudo-cooperatives continue to exist: created by Governments from the top down they form part of an essentially parastatal and monopolistic construction, lacking capacity for entrepreneurial expansion within the precooperative and informal sector or in partnership with other private enterprises. Hence, it has not been possible

to create local multipliers and thereby contribute to a balanced regional and national economic transformation. Indeed, one of the local causes of the poor performance of many of these economies may have been the fact that responsibility for production and export had been allocated to pseudo-cooperatives, which, being artificially created, lacked precisely those entrepreneurial capabilities inherent in true cooperatives, that is, in self-managed entities created to facilitate the achievement by members of their income-generating and profit-seeking goals. Moreover, by allocating monopoly status to pseudo-cooperatives, Governments are likely to have precluded entrepreneurial development in the non-cooperative private sector.

19. IFAD has arrived at very specific conclusions in this regard. Genuine, cost-effective and well-performing cooperative societies offer ideal and sustainable institutional structures to improve the delivery of project-provided goods and services to target groups in poverty alleviation projects, but only if project design and implementation does not affect or distort cooperative principles, and appropriate external financial and technical assistance can contribute to the enhancement and strengthening of the self-help, self-financing and self-sustaining capacity of cooperatives. The experience of IFAD has been that cooperatives were often undermined by external agents and political intervention, which led to weak management, ineffective control, lack of regular audits, low performance and collapse. State controlled cooperative structures not operating on cooperative principles frequently failed, particularly when they had to begin to operate within a more liberal economic context. Indigenous informal groupings, such as rotating savings and credit associations, had shown remarkable successes, owing to their simple and unconventional structures and operations with a limited and homogeneous membership. However, when such groups had been established expressly to deliver project-provided services, which required a minimum of formal accountability, it had been found that the advantages of such indigenous groups rapidly vanished because dependence on external support continuously increased and made sustainability questionable. Autonomous, genuine and cost-effective cooperatives, particularly credit unions, showed promising performance and growth in a number of countries. In contrast, production cooperatives, unlike the thrift and credit cooperative societies, had been found to lack the necessary national, regional and global professional support structures, which, apart from the normal assistance in the field of planning, management, control and auditing, are particularly important in the establishment of primary cooperative societies as are the required procurement and marketing linkages.

20. Thus, one of the major problems of some countries in Latin America and many in Africa and Asia is how to dismantle false structures and clear the way for the spontaneous appearance of true cooperatives. A number of Governments have already indicated that some de-linking from the public sector would be appropriate to new economic circumstances. For example, in Côte d'Ivoire, true cooperatives are perceived more and more as important economic partners for private enterprises expanding in response to the process of disengagement of the State from certain areas of production.

21. In China, programmes designed to readjust economic structure and enhance economic efficiency have opened up opportunities for cooperatives. Agricultural cooperatives were replaced a decade ago by the "family farm commitment" arrangement, which constituted a significant degree of privatization. However, within the past five years new forms of spontaneous cooperative-type organizations (new economic associations) have appeared in order to enable family farmers to pool resources, launch new enterprises and hire additional labour. Housing cooperatives, and particularly credit cooperatives in both rural and urban areas, have expanded.

VI. ACTIVITIES OF COOPERATIVE ORGANIZATIONS

22. In almost every country there exist regional, sectoral and national representative cooperative organizations whose function is to facilitate contact between individual cooperatives, provide them with organizational and technological support and represent them vis-à-vis other sections of society, notably the Government. An increasing number of such cooperative organizations, particularly in Africa, Asia and Latin America, have recently established national coordinating institutions; improved communication between national organizations and their member cooperatives; established data collection and research institutions; improved and extended member education and staff training; and strengthened relations with foreign and international cooperative organizations. Constraints on improvement remain numerous in those regions and in Central and Eastern Europe and in the Commonwealth of Independent States. They include the absence of appropriate legislation; the ineffectiveness of national organizations - and hence inadequate representation in governmental bodies and in the legislature; the diversity of governmental policies, rendering it difficult to identify desirable points of contact or establish effective channels of communication; lack of finance; and a lack of qualified personnel.

23. National representative organizations seek mutual support and solidarity by forming international associations. Among these a number constitute major international actors operating in full partnership with intergovernmental organizations. Their significance can be illustrated by reference to the activities of the three organizations already members of COPAC. ICA, the largest international cooperative organization, is an international association of cooperatives from all sectors of activity. Its membership is composed of some 200 national and international cooperative organizations from 80 countries, which in turn represent more than 740,000 local cooperative societies with approximately 700 million individual members. Its activities are concentrated in five main areas: to promote and defend values and principles shared by the membership; to stimulate interchange of ideas, information and practical collaboration among member organizations; to spread information on the structure and trends of the international cooperative movements; to act as a catalyst for the development of cooperative structures, especially in developing countries; and to be a spokesman of the cooperative movement before the United Nations system and, when requested by members,

national Governments. In addition to its development work in Africa, Asia and Latin America, ICA supports the development of cooperatives in the previously centrally planned countries. Currently it identifies gender questions, human resource development and the environment as priority areas. In 1990, ICA called upon all members to join in efforts to stop the degradation of the human and natural environment. During 1992, it coordinated a cooperative delegation to the United Nations Conference on Environment and Development and organized in Indonesia a conference of ministers responsible for cooperative development in Asia and the Pacific.

24. IFAP groups together some 80 national representative organizations of farmers, including cooperative members, in 55 countries, of which 27 are in Africa, Asia and Latin America. It was established to secure the fullest cooperation between organizations of agricultural primary producers, including cooperators, in meeting the optimum nutritional and consumption requirements of society and in improving the economic and social status of all who live by and on the land. It acts as a forum in which leaders of national farmers organizations can meet to discover mutual interests and coordinate action; keeps members informed; speaks on behalf of the world's farmers; and promotes the creation and strengthening of independent representative organizations of agricultural producers throughout the world. In its recent activities, IFAP has concentrated on farmers' commitment to sustainable agricultural development and their role in the management and conservation of national resources; improving mutual links between farmers and agricultural research programmes; supporting regional cooperation among farmers' organizations; and, through its Standing Committee for Agricultural Cooperatives, considering how best farmer cooperatives may seize opportunities to take over former State functions and services as structural adjustment brings about greater market orientation, reduction in price support measures and less government intervention.

25. WOCCU is an international organization of credit unions and similar cooperative financial institutions, and the largest organization of a single type of cooperative, representing over 86 million persons in more than 41,000 credit unions in over 80 countries. It is concerned with assisting its members to organize, expand and improve and to establish credit unions and related institutions as effective instruments for the economic and social development of people. It serves as a forum for the exchange of ideas and information, provides services for members, promotes membership development and growth, represents members' interests and extends cooperative financial services to areas where people want and need them. WOCCU recently mounted a major initiative to ensure high standards of credit union reliability, safety and soundness. Model legislation, regulations, operating policies, by-laws and audit guides are being developed. Training programmes and technical assistance missions focus on implementing these practices. WOCCU seeks to persuade Governments that too much intervention might be counter-productive. It emphasizes the need for credit unions to define themselves as business enterprises, to adopt market rates of interest and to provide an array of services for an increasingly competitive environment. Recognizing the barriers women still face in gaining full access to the benefits of credit unions, WOCCU created in October 1991 a Women in Development Secretariat.

26. Within EC, regional associations have been established in almost all sectors of cooperative activity. In order to defend common interests and assure their representation at the European level, the Coordinating Committee of Cooperative Associations of the Community was set up jointly by sectoral cooperative groupings such as the General Committee for Agricultural Cooperatives in EC and the Association of Cooperative Banks of the European Communities. In November 1990, nine cooperative consulting companies, banks and other organizations from seven countries in Western Europe formed the European Cooperatives for Agricultural and Rural Development with the main purpose of helping in the reconstruction of agriculture in Eastern Europe. In 1989, the Congress of the Organization of American Cooperatives considered how to improve commercial relations between cooperatives in the Americas and elsewhere.

27. In addition to frequent formal and informal collaboration, there exists a number of special institutional and procedural arrangements for international cooperation. COPAC is the only forum where the leading global representative organizations of cooperatives and the principal intergovernmental bodies engage jointly in operational consultation and the exchange of information and views. It maintains relations with many other international and national organizations. Its secretariat publishes an information bulletin and a series of country information notes, carries out research and organizes occasional symposia and seminars. Certain organizations have special institutional arrangements with intergovernmental organizations whereby they may participate actively in policy discussion. Since 1969, the Economic and Social Council has specifically called for close collaboration between the United Nations system and ICA, 7/ which also has a special status within ILO enabling it to participate fully in its activities together with the tripartite structure: employees, workers and Governments. ICA, IFAP and WOCCU work closely with all relevant intergovernmental agencies.

VII. ACTIVITIES OF GOVERNMENTS

28. The relationship between cooperatives and Governments is a delicate one. Recommendation Number 127 of the General Conference of ILO, resolutions of the General Assembly and the Economic and Social Council and recommendations made at the Seminar on the Role of Government in Promoting the Cooperative Movement in Developing Countries, held at Moscow in May 1987, emphasize that the cooperative movement is an independent area of societal organization within which citizens join together in pursuit of their own objectives and in full exercise of their freedom of association within the law. Governments should not seek to exercise controls different from those regulating the activities of any other types of enterprise.

29. On the other hand, Governments formulate a policy with respect to cooperatives, as they do in respect to all components of society, whether this is one of intervention or not, and whether it involves direct or indirect measures, or is stated explicitly or not. Ideally, they should seek to

establish an environment at least as favourable to cooperatives as to other private profit-seeking enterprises, one not in any way hostile to them merely because cooperatives are member-owned and self-managed forms of private enterprise. Where cooperatives are perceived to be particularly valuable in helping to resolve societal problems Governments may offer special forms of support as an investment in development and as a service to citizens and taxpayers, but such measures should fully respect the independent status of cooperatives.

30. Where governmental intervention has been excessive, and particularly where cooperatives have been integrated de facto in the state or parastatal sector, their entrepreneurial capacity and operating efficiency has suffered. This "pseudo-cooperative" sector has been unable to respond to changing societal conditions, with serious implications for overall development. For example, the Turkish Cooperative Association pointed out that insufficient autonomy had constrained freedom to achieve vertical and horizontal integration and hence competitiveness. The Central Agricultural Cooperative Union in Egypt noted that it was now fully realized that agricultural development could not be achieved by means of governmental programmes alone, and that the involvement of cooperatives was indispensable.

31. Many Governments, particularly in Africa and Asia, perceived that intervention was still necessary because most members had limited educational status and technical and managerial experience. However, an increasing number, while still providing training and financial and material support, had full confidence in the capacity of the cooperative sector to achieve full autonomy soon. Elsewhere, its negative impact has remained serious even where intervention has ceased. For example, the Organization of Brazilian Cooperatives noted that, although the national constitution adopted in 1988 emphasized the autonomy of cooperatives and had set limits on governmental intervention, both cooperators and cooperative managers had become so used to widespread dependence upon government initiatives, directives and support that they had been unable to escape from attitudes of dependency.

32. Cooperatives are active in many sectors, and therefore are of interest to a number of public agencies, but coordination between them is rarely effective. Yet to the extent that cooperatives increasingly associate together and expand vertical and horizontal relationships, Governments increasingly require a single strategy vis-à-vis the entire movement to ensure coherence between the set of relevant sectoral and regional policy positions. This requires difficult choices concerning assignment of responsibility and establishment of coordinating mechanisms, as well as overcoming practical difficulties in making the chosen arrangements operate effectively.

VIII. ACTIVITIES OF THE INTERNATIONAL COMMUNITY

33. The General Assembly and the Economic and Social Council have been concerned with the global situation of the cooperative movement, and with the contribution of cooperatives to the achievement of the objectives of the United Nations, since 1951. Their requests and those of the governing bodies of the specialized agencies have set in motion substantial international activities, in close collaboration with the principal international organizations of the cooperative movement. 9/

34. The Centre for Social Development and Humanitarian Affairs of the United Nations Secretariat, and its organizational predecessors, has been responsible for preparing the series of reports of the Secretary-General, more recently in collaboration with other members of COPAC, in which it represents the United Nations. It engages in policy-oriented research concerning the relevance of cooperatives to achievement of social policy objectives, particularly as set out in the Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future as well as in other international strategies, plans and guidelines, in respect to the execution of which it acts as focal point within the United Nations system. As part of its programme in crime prevention and criminal justice, the Centre has encouraged the establishment of cooperatives in order to rescue street children from exposure to patterns of deviancy and delinquency in many countries. In collaboration with COPAC, studies have been prepared of cooperatives of and for young persons, disabled persons and aged persons.

35. The United Nations Centre for Human Settlements (UNCHS) (Habitat) supports low-cost and self-help housing cooperatives pursuant to the Global Strategy for Shelter to the Year 2000, adopted by the General Assembly in its resolution 43/181 of 20 December 1988, whose fundamental tenet is that Governments should facilitate the activation and harnessing of the full potentials of all elements of society involved in shelter production. Current research deals with cooperative savings and credit societies, housing delivery systems for the poorest groups using cooperative forms of participation, and promotion of low-income rental housing cooperatives. In collaboration with the Danish International Development Agency (DANIDA), training programmes assist local governments and communities to establish procedures for the provision of housing, facilities and services through cooperative forms of participation. Its technical cooperation programmes promote housing cooperatives, credit cooperatives and cooperative enterprises for construction and building materials production.

36. The International Research and Training Institute for the Advancement of Women (INSTRAW) convened an Interregional Consultative Meeting on Women in Cooperatives: Implementations for Development in collaboration with its focal point in Bulgaria, the Bulgarian Academy of Sciences, at Plovdiv, Bulgaria, in June 1988. During 1992-1993 it will launch a research programme in order to evaluate the effect of the inclusion (or exclusion) of women in credit programmes including cooperatives.

37. The United Nations Development Programme (UNDP) is currently funding 60 projects, which include support to agricultural, rural, industrial, housing, production, credit, health, consumer and marketing cooperatives. Projects are executed by ILO, FAO, the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), UNCHS, the UNDP Office for Project Services, as well as by the United Nations Volunteers, the Asian Development Bank and through national agencies, often in close collaboration with international cooperative organizations. TechnicaL cooperation among developing countries programming among cooperatives in Asia and the Pacific has been promoted by a bilateral consultation meetings hosted by ICA at New Delhi in May 1991, with 10 countries participating. Some 59 technical cooperation among developing countries agreements were reached in the following subsectors: consumer cooperatives; trade; marketing joint ventures; agricultural cooperative management and policy development; agricultural production; textile handlooms; dairy livestock and poultry development; agriculture cooperatives, including marketing, training, rural cooperative credit, banking and financing: and fisheries, housing, labour and handicraft cooperatives. The United Nations Sudano-Sahelian Office supports formation of cooperatives as being capable of ensuring that its activities are relevant to the priorities identified by the population concerned; will be continued beyond the end of the project period; and will benefit the people of the project area directly. The United Nations Development Fund for Women provides financial and technical support to the cooperative activities of women.

38. The United Nations Population Fund (UNFPA) provides funds for population education programmes implemented with the help of cooperatives. It considers that by improving living standards for their members and by facilitating exchange of information among members, cooperatives can help reduce both mortality and fertility, and also migration from rural areas. The World Food Programme (WFP) supports cooperative self-help as part of its anti-poverty oriented development activities. Together with COPAC and the Centre for Social Development and Humanitarian Affairs, and with Norwegian financial assistance, it organized in 1988 an International Symposium on Food Aid and Cooperatives, held at Vienna.

39. The Economic Commission for Africa (ECA) supports cooperatives within its Integrated Rural Development programme operated by the Joint ECA/FAO Agriculture Division. Since 1981, the Agriculture and Rural Development Division of the Economic and Social Commission for Asia and the Pacific (ESCAP) has had a close dialogue with member countries, particularly on agriculture cooperatives, and has participated in a series of seminar/workshops on the cooperative movement organized by agencies such as FAO and ICA, with whom it has collaborated closely. The Economic Commission for Latin America and the Caribbean (ECLAC) has been active substantially in the past, but has no current activities.

40. ILO has since its establishment in 1919 recognized the importance of the cooperative movement, and the special relationship that exists between it and the movement is recognized in article 12 of its Constitution. 10/ It has organized many expert meetings and conferences on cooperatives that offered tripartite delegates from member States (i.e., government representatives and employers' and workers' delegates) opportunities to discuss and exchange experiences. This work culminated in the adoption by its General Conference, in 1966, of recommendation No. 127 concerning the role of cooperatives in the economic and social development of the developing countries, designed to provide Governments of developing countries with guidelines for effective cooperative development. The ILO cooperative service, recently incorporated in a new Enterprise and Cooperative Development Department, is engaged in collecting information and analysed trends, as well as in a wide-ranging programme of technical assistance, which began in 1937. As its major instrument for cooperative training, ILO began in 1978 to develop its Materials and Techniques for Cooperative Managerial Training Programmes (MATCOM), which at present operate in about 60 countries. Responding to the negative impact of structural adjustment policies, ILO undertakes such projects as Appui Coopératif aux Activités de Développement Assistées par le Programme Alimentaire Mondial en Zone Soudano-sahélienne (ACOPAM).

41. FAO has been engaged for many years in projects and programmes that foster the establishment and strengthening of agricultural cooperatives and other self-help groups of farmers, and fishery and forestry workers. Attention to the role of cooperatives received increased impetus by the adoption of a Programme of Action by the World Conference on Agrarian Reform and Rural Development in 1979, and more recently by the FAO Conference at its twenty-sixth session in 1991 at which it adopted a Plan of Action for People's Participation in Rural Development. Both documents give prominence to the role in combating rural poverty of local community and membership-based self-help organizations whose aims are the pursuit of their members' social and economic objectives. FAO now supports all people's organizations that are voluntary, autonomous and democratically controlled institutions, including cooperatives. It is engaged in a programme on Appropriate Management Systems for Small Farmers Agricultural Cooperatives, which promotes self-reliant cooperatives with voluntary membership. It is active in supporting Governments that are engaged in restructuring national cooperative movements from State controlled to membership-oriented institutions.

42. UNESCO has organized seminars and published reports and studies on means to facilitate people's participation in development, thereby promoting objectives, methods and conditions of development similar to those of cooperatives. Good use of travel grants within the UNESCO Workers and Cooperatives Education Programme has been made in the past by cooperative leaders. In January 1992, the WHO Executive Board fully supported the involvement of cooperatives in health promotion. WHO advocates community participation, facilitated by cooperatives, as a tool for providing primary health care, including water supply and basic sanitation, and recognizes the contribution of cooperatives to healthy housing conditions. The World

Bank/International Finance Corporation (IFC) provides the funds for investments needed to support cooperatives. A 1986 study showed that about half of the World Bank's agricultural operations had involved cooperatives and cooperative-type associations. Funds are being increasingly set aside to strengthen cooperatives, often in close collaboration with FAO and ILO. In 1990, it convened a Seminar on Donor Support for the Promotion of Rural Cooperatives in Developing Countries.

43. IFAD recognizes that formal cooperatives, with their philosophy of self-help, self-responsibility and self-determination and their democratic structure, are ideal means to achieve its goals. It focuses increasingly on genuine and sound thrift and credit cooperative societies as the most desirable partners in assisting the rural poor, designing its financial and technical assistance for cooperative institutions so as not to distort their self-help character, but to strengthen their capacity for indigenous mobilization of human and financial resources and sustainable self-help efforts at all levels.

44. UNIDO promotes industrial cooperatives as part of its development of small-scale industries, either through technical cooperation or through meetings, seminars and workshops, some held in collaboration with ICA and ILO. Within the framework of its Small and Medium Industry Programme, UNIDO assists industrial cooperatives in such mutually supportive areas as entrepreneurship development, privatization, rural industrial development, institutional development for industrial research and industrial information, quality control standardization and metrology, and industrial subcontracting. In June 1990, UNIDO held an Interregional Symposium on the Role of the Industrial Cooperative Movement in Economic and Industrial Development at Moscow. The Symposium provided a forum for the discussion of the role of cooperatives in introducing greater flexibility and responsiveness to national economic structures, as well as improved industrial efficiency. The Symposium invited UNIDO to continue diagnostic studies of problems facing the development of industrial cooperatives and small-scale enterprises in different countries as well as to hold similar symposia on a regular basis.

45. Some intergovernmental organizations outside the United Nations system have programmes in support of cooperatives: EC; the Inter-American, Asian and African Development Banks; the CARICOM Secretariat and the Entente Council. While much intergovernmental collaboration takes place within permanent global and regional organizations, important results are achieved outside their context. Many activities are undertaken in close collaboration with international cooperative organizations. For example, ICA, through its regional offices, organizes conferences of ministers responsible for cooperative development.

IX. CONCLUSIONS

46. In the light of the review of the achievements of the cooperative sector, its response to recent societal processes and its potential for contributing further to economic and social progress, as well as of the promotional and supportive activities designed to establish a positive environment within which cooperatives may achieve their own goals as well as contribute further to economic and social progress summarized above, the following conclusions have been reached:

(a) Close attention to the potential contribution of cooperatives to national economic and social progress appears to be a promising option for Governments to examine, especially where confronted by very severe problems of structural transformation. They may consider especially noteworthy the fact that the economies of all of the advanced market-oriented economies, which are fully acknowledged to be "mixed" in the sense of there existing a substantial partnership between public and private sectors, are "mixed" also in that cooperatives constitute a significant and successful element of the private sector, and hence of national economies. Cooperative business enterprises play a key role in the private sector, especially in agriculture, where they are often dominant. Moreover, in spite of some failures, whose incidence may in fact not be greater than that in other parts of the private sector, cooperatives in these economies, including those with the most competitive business environments, have been able to respond to new and tough economic conditions. The willingness of private enterprises, including major international corporations, to enter into partnerships with them, is clear evidence of the entrepreneurial capacity and managerial efficiency of which cooperatives are capable. These facts argue forcibly for giving greater prominence to cooperatives as a means to contribute to economic restructuring and social progress in the countries of Central and Eastern Europe and the Commonwealth of Independent States, as well as in many countries in Africa, Asia and Latin America. They also imply that full attention should be given to facilitating the further contribution of cooperatives to international integration among the advanced market economies;

(b) Organizations of farmers, including agricultural cooperators, are key institutions in the revitalization of agriculture and the development of rural areas, and hence to economic revival particularly in Africa, Asia and Latin America. Their role, in terms both of faithfully representing farmers' views, and of providing practical services to their members, appears often to have been given less attention by Governments and international agencies than they deserve, and consequently their potential has not been fully utilized. Seeking farmers' views through consultations with farmers' representative organizations, and encouraging and supporting the latter in their efforts to provide services to their members are prerequisites for sustainable rural development. The current absence of consultation of farmers, including cooperators, by researchers, is a serious constraint upon accumulation of relevant knowledge and successful diffusion of innovation;

(c) Agricultural supply and marketing cooperatives are responsible for major market shares of agricultural production in advanced market economies and have shown considerable success in adjusting to intense competition and far-reaching restructuring. In Africa, Asia and Latin America such cooperatives offer a principal means of facilitating the full market participation of small farmers. Reorganized and modernized cooperatives in Central and Eastern Europe and in the countries of the Commonwealth of Independent States can play a vital role in the future efficiency of agriculture, often vital to successful economic transformation;

(d) Savings and credit cooperatives ("credit unions") have the most dynamic growth of all cooperatives: world-wide membership has grown by an annual average of more than 8 per cent since 1985. Savings, loans, reserves, and assets have each more than doubled, with annual growth rates of over 20 per cent during the same period. Since 1972, when WOCCU first started gathering credit union statistics, world-wide credit union savings and loans have both grown at annual rates of 15 per cent, while assets have grown by 16 per cent annually. They have a strong potential for mobilizing local savings and providing credit to members, particularly important in apparently capital-scarce conditions, thereby encouraging thrift and entrepreneurial activity and hence stimulating local multipliers. They appear to be capable of making a significant contribution to the solution of financial problems facing the countries now engaged in transformation from centrally planned to market-determined societal management. Notwithstanding the very valuable contributions of certain of its agencies to supporting their expansion, it appears that there remains considerable scope for further United Nations support for this category of cooperatives, in close collaboration with WOCCU;

(e) The economic importance of cooperatives appears not to have been reflected sufficiently in the attention devoted to them by the international community. The International Development Strategy for the Fourth United Nations Development Decade does not mention cooperatives. At the international level, there exists an insufficiently developed substantive and institutional strategic framework for the effective promotion and support of both the cooperative movement itself and of Governments in their own task of developing a more effective partnership with cooperatives. The components of the United Nations Secretariat engaged in strategic economic planning for and management appear not to have taken into consideration sufficiently the economic significance of cooperatives. It would appear that more systematic and coordinated attention by appropriate bodies and organs might serve to ensure that the potential of cooperatives to contribute to economic and social progress is more fully taken into account in the formulation of international economic strategies and in the undertaking of comprehensive programmes of international assistance, particularly in the light of General Assembly resolution 46/166 on entrepreneurship;

(f) Given that the primary purpose of a cooperative is to serve as a means to achieve the economic goals of its members, it is not possible for most cooperatives, particularly in current difficult economic circumstances,

to assume such additional responsibilities as provision of social programmes, unless these are decided upon by members in order to meet their own needs. Nevertheless, respect for this basic condition does not detract from recognition that cooperatives, by their very existence, contribute to the achievement of broad goals of social progress. They offer chances of economic advancement to disadvantaged sections of society. New types of cooperative help meet members' needs for social services, such as child care. Their contribution to more effective citizen participation is significant: cooperatives in most countries are in fact "schools for democracy". With their hundreds of millions of members, to which the families of members must be added, they constitute a significant means of ensuring social stability throughout the world. Consequently, it appears important that Governments give full attention to the contributions that many types of cooperatives are able to make to achievement of social policy goals, particularly at a time when it is increasingly considered to be appropriate for the public sector to transfer responsibility to individual citizens, particularly when organized for the purposes of self-help;

(g) Most categories of cooperatives, but particularly agricultural and consumer cooperatives, are able to make significant contributions, and often more effectively than other types of enterprise given their member controlled character, to ecologically rational and sustainable development. Consequently, in following up the recommendations of the United Nations Conference on Environment and Development, Governments and all relevant components of the United Nations system might find it beneficial to promote the full realization of this potential. In this regard their attention might be drawn to the conclusions reached at the meeting organized by IFAP at Reykjavik in 1991 on the factors relevant to the contribution of farmers, including cooperators, to sustainable development: namely that while enterprises are willing to adjust their activities they can only do so in the context of a general transformation of national and global economies;

(h) It would appear appropriate that Governments, supported by all relevant parts of the international community, give renewed attention to the mutual benefits of more effective involvement of women in cooperatives. In this regard, it might be helpful to take into consideration the prototype guidelines adopted by the Interregional Consultative Meeting on Women in Cooperatives held at Plovdiv, Bulgaria, in June 1988, and organized jointly by the Bulgarian Academy of Sciences and INSTRAW;

(i) Recommendation No. 127 concerning the role of cooperatives in the economic and social development of developing countries, adopted by the General Conference of ILO in 1966, remains the single most comprehensive statement made within the United Nations system concerning the nature and objectives of governmental policy in respect to the cooperative sector and guidelines on methods of implementation of that policy;

(j) Much progress has been made by Governments in Africa, Asia and Latin America to formulate comprehensive policies in respect to cooperatives, to

ensure an effective allocation of public resources to promote and support cooperatives, to harmonize and coordinate the activities of governmental agencies involved, and to establish institutional arrangements for ensuring the effective participation of representatives of cooperatives in policy formulation and implementation. Considerable support has been given to Governments by both international cooperative organizations and the intergovernmental community, notably ILO and FAO. Nevertheless, there appears to remain much scope for further activity;

(k) The countries of Central and Eastern Europe and of the Commonwealth of Independent States, as well as those in Africa, Asia and Latin America also engaged in transformation from centrally-planned to market-oriented strategies for societal management, share a serious problem: the past establishment of types of cooperatives, created from above down, without the genuine participation of members. For this reason, new Governments and potential members have tended to reject cooperative enterprise. However, the experience of market-oriented countries shows that strong cooperatives in certain sectors of the economy are an essential feature of the social structure. Consequently, establishing vigorous true cooperatives counts among the principal means whereby economic and social problems might be resolved. In these countries there exists a significant gap between the concepts of cooperation held by the majority of citizens - usually concepts which are entrepreneurially dynamic but at the same time embedded in wider social and cultural components of indigenous culture - and the perceptions of cooperation which have characterized the State sector. Consequently, it would appear important for their long-term development that these societies find ways to encourage a new and spontaneous development of cooperatives from the indigenous base of society. It would appear useful that an international programme of research be undertaken to promote and support such efforts;

(l) Particularly in the context of privatization of State-owned property, and also in the context of the formation of cooperatives in conditions of poverty, illiteracy and lack of managerial experience of cooperators, questions of the rights of individuals to association, and of the legal status of cooperatives as enterprises, particularly in regard to property ownership, appear to be not yet adequately resolved, impeding the effectiveness of cooperatives and the realization of their potential contribution to human progress;

(m) Political recognition of the importance of cooperatives in economic and social development is already very substantial: the cooperative form of private enterprise has been considered of such importance in national affairs that specific mention is made of it in many national constitutions, including those of Brazil, Colombia, Ecuador, Egypt, France, Greece, Honduras, Italy, Peru and Philippines. In an increasing number of other countries cooperatives are considered to be of major societal significance. Nevertheless, there is still an insufficient awareness of the very substantial economic and social weight of cooperatives throughout the world, and of the degree of its success in adjusting to varied and often hostile societal environments, thereby

contributing to the achievement of the personal objectives of millions of individuals, their families and their communities, as well as to national economic and social progress. Consequently, it may be appropriate to arrange that existing United Nations public information channels bring to the attention of the public, as well as to policy makers, recommendation No. 127 concerning the role of cooperatives in the economic and social development of developing countries, adopted by the General Conference of ILO in June 1966, as well as the Cooperative Principles approved by the International Cooperative Alliance at its twenty-third Congress held at Vienna in 1966 and the Credit Union Operating Principles approved by the Membership Council of WOCCU in 1984, as well as other relevant material;

(n) A major effort is required to assist national cooperative organizations to improve their database and to further develop an international information and research network. National data collection systems are not yet designed to collect data on cooperatives. At the same time, some countries with well-developed data collection systems are willing to participate in an international programme of technical assistance to improve the situation, which appears to require greater priority;

(o) COPAC is the major existing forum which facilitates regular interaction between international organizations representative of the cooperative movement and intergovernmental organizations. It is faced by tasks of increasing scope and relevance to enabling the cooperative movement to realize its enormous potential for contributing to economic and social progress. However, the resources now available to its secretariat appear to be inadequate for its effective operation, thereby limiting its capability to meet the mandate given it by the Economic and Social Council in its resolution 1668 (LII). Moreover, membership does not yet include all international organizations engaged in the promotion and advancement of cooperatives;

(p) Notwithstanding current difficulties, it is noteworthy that there is a highly successful degree of collaboration between national, regional and global cooperative organizations, donor Governments, and both regional and global intergovernmental organizations, including notably the relevant specialized agencies within the United Nations system, in assisting cooperatives and in supporting governmental efforts to establish the most favourable possible environment for their development.

Notes

1/ The questionnaire had been prepared partly on the basis of suggestions made by members of COPAC at its 45th meeting, in February 1991, and their comments on a first draft. In January 1991, the Secretary-General had also asked all concerned components of the United Nations system to submit suggestions for topics as well as actual questions for inclusion in the questionnaire. A total of eight specialized agencies and entities within the United Nations Secretariat did so: UNDP, ECLAC, UNCHS, ILO, FAO, World Bank/IFC, IFAD and UNIDO.

2/ Respondents were from the following countries: Bahrain, Burkina Faso, Cape Verde, Colombia (4), Cyprus, Ecuador (2), Ethiopia, Ghana, Greece, Guatemala, Honduras, Malaysia, Mozambique, Nepal, New Zealand, Pakistan (2), Peru, Singapore, Syrian Arab Republic, Tuvalu, United States of America, Uruguay and Venezuela.

3/ Brazil: Organization of Brazilian Cooperatives; Bulgaria: Central Cooperative Union; Colombia: Federación Nacional de Cafeteros; Panama: Instituto Panameno Autonomo Cooperativo and Confederacion Latinoamericana de Cooperativas Ahorro y Crédito; Poland: Agricultural and Technological Academy, Olsztyn and Cooperative Research Institute, Institute of Agriculture and Food Economics, Warsaw; and Sweden: Cooperative Institute.

4/ Côte d'Ivoire: Chambre d'agriculture; Denmark: Federation of Danish Cooperatives; Egypt: Central Agricultural Cooperative Union; Finland: Institute for Cooperative Studies, University of Helsinki; France: Confédération française de la coopération agricole; Netherlands: International Secretariat of the "Three Central Farmers' Organizations"; and Switzerland: Union Suisse des Paysans.

5/ Norway: Central Office of Agricultural Cooperatives and Norwegian Cooperative Union and Wholesale Society; Philippines: Cooperative Foundation Philippines, and Federation of Free Farmers Cooperatives; Russian Federation: Central Union of Consumer Societies; Turkey: Turkish Cooperative Association; and United Kingdom: Cooperative Union.

6/ In paragraph 5 of its resolution 1668 (LII) of 1 June 1972, the Economic and Social Council endorsed the suggestions made in a report submitted to it by the Secretary-General (E/5093 and Corr.1) that the membership of the then Joint Committee for the Promotion of Agricultural Cooperatives, established in 1971, be broadened to incorporate the United Nations, including UNIDO and UNCTAD, and other interested bodies, such as UNESCO, to promote further, in close cooperation with ICA, concerted action for the development of agricultural and other cooperatives in developing countries, and that the Committee's terms of reference be revised accordingly.

7/ The Economic and Social Council has called for cooperation between the United Nations system and ICA in its resolutions 1413 (XLVI) of 6 June 1969, 1491 (XLVIII) of 26 May 1970 and 1668 (LII) of 1 June 1972. The latter resolution has been recalled in the preambular paragraphs of most subsequent Council and General Assembly resolutions on cooperatives.

8/ In addition to the sources of information identified in respect to Bulgaria and Poland included in note 5, and the Russian Federation included in note 7, the Secretary-General was able to obtain up-to-date information from the discussions held at two open forums organized by COPAC and held at Vienna in September 1991 and at Paris in March 1992. Delegations representative of cooperative movements in Belarus, Bulgaria, Czechoslovakia, Hungary, Poland,

Notes (continued)

Romania and the then Union of Soviet Socialist Republics reviewed current problems and progress. Regional and global international cooperative organizations, regional intergovernmental organizations and the ILO and FAO provided details of their current programmes of support.

9/ In January 1992, the Secretary-General asked all concerned components of the United Nations system to submit their current views and updated information for use by him in preparation of the present report. By the end of March 1992, the following had responded: UNCHS, ESCAP, UNDP, INSTRAW, ILO, UNESCO, FAO, WHO, UNIDO and IFAD. In the preparation of this chapter, the Secretary-General's task was greatly facilitated by the kind provision to him by its author, Mr. J. von Muralt, Director of the Enterprise and Cooperative Development Department of ILO, of the text of an article by him on "The United Nations System and Cooperatives", shortly to be published in the International Handbook of Cooperative Organizations (Vandenhoeck and Ruprecht Verlag, Gottingen, Germany).

10/ In paragraph 3 of article 12, the Constitution states: "The International Labour Organisation may make suitable arrangements for such consultation as it may think desirable with recognized non-governmental international organizations, including international organizations of employers, workers, agriculturists and cooperators."

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Substantive session of 1992
Item 16 of the provisional agenda
HUMAN RIGHTS QUESTIONS

Regional arrangements for the promotion and protection of human rights in the Asian and Pacific region

Report of the Secretary-General

1. By its resolution 45/168 of 18 December 1990, the General Assembly took note of the report of the Secretary-General (A/45/210-E/1990/21) and welcomed the designation of the library of the Economic and Social Commission for Asia and the Pacific (ESCAP) as a depository centre for United Nations human rights materials within the Commission at Bangkok, the functions of which would include the collection, processing and dissemination of such materials in the Asian and Pacific region; renewed the invitation it made in 1988 in its resolution 43/140 of 8 December 1988 to States members of ESCAP that had not yet done so to communicate to the Secretary-General as soon as possible their comments on the report of the Seminar on National, Local and Regional Arrangements for the Promotion and Protection of Human Rights in the Asian Region and, in particular, to address themselves to the conclusions and recommendations in the report concerning the development of regional arrangements in Asia and the Pacific; 1/ requested the Secretary-General to ensure a continuing flow of human rights material to the library of ESCAP at Bangkok for appropriate dissemination in the region; encouraged United Nations development agencies in the Asian and Pacific region to coordinate with ESCAP their efforts to promote the human rights dimension in their activities; and requested the Secretary-General to submit a report to it at its forty-seventh session, through the Economic and Social Council, incorporating information on progress achieved in the implementation of the resolution.

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* A/47/50.

2. The attention of the General Assembly is called to the report of the Secretary-General submitted to the Commission on Human Rights at its forty-eighth session (E/CN.4/1992/24). That report, which contains the relevant information requested by the Assembly in paragraphs 2, 3, 4 and 6 of resolution 45/168, is also being made available to the Economic and Social Council and to the Assembly.

Notes

1/ A/37/422, annex and A/39/174-E/1984/38 and Add.1 and E/CN.4/1986/19. The report was published by the United Nations as document ST/HR/SER.A/13).

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REGIONAL COOPERATION

Summary of the Economic Survey of Europe in 1991-1992

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I. THE TRANSITION ECONOMIES IN 1991: AN OVERVIEW

1. For the world economy, 1991 was one of the worst years of the entire post-war period. Global output fell for the first time since 1945 and the growth of world trade fell for the third year in succession. In the market economies of Western Europe and North America, output growth was virtually zero, with a small increase in Europe offset by a fall in North America. An expected recovery in North America and the United Kingdom of Great Britain and Northern Ireland was forecast for the second half of 1991, but this failed to appear and compensate for the sharp slow-down in Germany and Japan. Current forecasts point to a feeble recovery in 1992.

2. In Eastern Europe the depression associated with the break-up of centrally planned economies deepened further, with domestic output levels falling by some 14 per cent. One of the most momentous events of the post-war period occurred with the dissolution of the Soviet Union in December: the year was marked by fruitless efforts to negotiate a new union treaty against a background of growing economic dislocation and large falls in the level of activity.

3. Despite the great hopes and opportunities created by the revolutions of 1989 in Eastern Europe, the general mood is now quite pessimistic. This is no doubt exaggerated and reflects in part the breakdown of previous illusions about the ease and speed with which the transformation of the former "planned" economies could be brought about. Nevertheless, the problems are considerable. It has proved fairly easy to break up the old structures but extremely difficult to build the new. Fixed investment is still falling rapidly in the transition economies: that has to be reversed if the reform process is to succeed and burgeoning unemployment levels to be checked. A growing fear is that the increasing economic strains will lead to disillusion and impatience, both with the idea of a market economy and with the democratic process.

4. If the Western Governments wish to reduce these growing risks, a much greater commitment to the success of the reform process will be needed on their part.

A. The Soviet Union and the Commonwealth of Independent States

5. In 1991 the Soviet Union effectively broke up when the Presidents of Russia, Ukraine and Belarus declared their republics to be independent and signed the Minsk Agreement of 8 December creating the Commonwealth of Independent States (CIS). By 21 December another eight republics had joined the CIS whose aims now included the building of "democratically law-governed States". On 25 December Mr. Gorbachev resigned the presidency of the USSR and on 26 December the Soviet Union ceased to exist.

6. Much of 1991 had been dominated by attempts to negotiate a new relationship between the republics and the Union and these appeared to have succeeded when a draft agreement was initialed in the summer. Although this draft treaty is likely to have proven unviable, especially in the economic sphere, the reduction in the authority of the Union was such that it was a principal cause of the August coup. From that point, the republics rapidly asserted their full independence. Economically, however, the successor States of the Soviet Union are still highly interdependent, and one of the most urgent tasks now facing them is to create institutions and working arrangements for managing their mutual relations in a constructive manner.

7. The accelerating economic decline of the Soviet Union in 1991 was due essentially to massive disruptions in the supply-side of the economy as a highly specialized division of labour began to break down. With the collapse of central "planning" control and the acceleration of inflation, barter transactions among enterprises have replaced centrally determined enterprise flows settled in roubles. The breakdown of central authority and the emergence of elected local leaders, sensitive to the needs of their constituents, led to restrictions on the outflow of goods, especially consumer products, to other regions. Since the division of labour in the Soviet Union was highly differentiated in terms of geographical distribution as well as function, these developments were particularly damaging and strengthened the tendency towards republican mercantilism. Against this background of increasing barter, curbs on inter-republican transactions and the general dislocation of traditional economic arrangements, there was a large decline in output.

8. For 1991 as a whole, net material product in the Soviet Union/CIS fell by 15 per cent and GDP by 17 per cent. This followed reductions of 4 and 2 per cent respectively in 1990. The downturn was gathering pace throughout the year and accelerated sharply in the last quarter. Short-term forecasts are virtually impossible in the current state of turmoil, but another large fall in output seems probable in 1992. An aggregate decline of 25-30 per cent between 1989 and 1992 would not be implausible in the light of what has happened in Eastern Europe (see below). Although the fall in output last year affected all the individual republics, there were large variations among them. 1/

9. Consumers have suffered, and possibly by more than is indicated by the estimate of a 15 per cent fall in the volume of private consumption, since it is generally believed that the official consumer price index understates the true rise in prices. The compression of already relatively low living standards is continuing in the independent republics in the early months of 1992 and is raising fears that the fragile political and social consensus for market reforms will be increasingly difficult to maintain without substantial help from abroad. These fears are reinforced by the prospect of rapidly rising unemployment in the course of 1992. Statistics on unemployment in the former Soviet Union and in its successor States do not provide a reliable picture of its current extent. At the end of 1991, 1 million people were registered as unemployed in the labour offices of the CIS members. At the end

of 1990 Goskomstat estimated the total, according to definitions of the International Labour Organisation (ILO), at 2 million. Current unofficial estimates, which vary widely, start at around 4 million, but it is extremely difficult to judge the accuracy of such numbers. What does seem clear is that unemployment is now a serious problem and, in the light of experience in Eastern Europe, is likely to grow rapidly as soon as any real restructuring of the economy gets under way.

10. Although a great deal of legislation to support the transition to a market economy was passed in 1990 and especially in the first half of 1991, the principal failures concerned the fundamentals of privatization, price liberalization, monetary and fiscal policies and the pursuit of currency convertibility. In the presence of such lacunae, progress in other areas will have little effect and, in a "second best" world, may be counterproductive. This can be seen clearly in the case of inflation. Open inflation in the Soviet Union first appeared in 1985 as a result of policy errors and the side-effects of partial decentralization. After 1989, and particularly in 1991, there was a marked increase in the fiscal autonomy of the republics. Given the maintenance of a single currency and a passive, accommodating monetary policy at the centre, the republics were able to run up fiscal deficits knowing that the inflationary consequences would be diffused across the entire Union. In such circumstances there was little incentive for the republics to embark on a serious attempt at macroeconomic stabilization and, given the deteriorating relationship between the Union and the republics, there was little chance of monetary control being established at the centre.

11. A solution to this conflict, between the fiscal autonomy of the republics and the continued existence of a single currency and ineffective monetary control, is now the most urgent task facing the successor States of the ex-Soviet Union. Without a solution, macroeconomic stabilization will be impossible; and without stabilization the collapse of supply links between enterprises and republics will continue to the point of destruction.

12. Given the lack of mutual confidence among the successor States and their fears of a re-assertion of control from Moscow, not to mention the strength of national pride in newly-won independence, one possible solution would be to move towards an open trading area with separate currencies. This would require an effective currency reform and a coherent macroeconomic stabilization programme in each republic. The prime institutional requirement is to find ways of establishing monetary control (the absence of effective bank regulations and credit control in the Baltic States is the main reason for their delay in introducing their own currencies). A problem here is that central banks in many of the republics, including Russia, are responsible to parliaments, which tend to be relatively tolerant of inflation. An alternative method of control might be to set up currency boards, which would effectively tie the money supply to changes in the balance of payments. The disadvantage is that the currency boards would probably require much more Western assistance than the amounts required for stabilization funds to support the internal convertibility of the rouble and any new republican

currencies; the advantage is that, assuming there is effective regulation of the commercial banks, the currency board is likely to be a more effective means of financial stabilization.

13. A final ingredient of a programme to establish stable economic relations among the successor States is the need for effective payments arrangements among the different currencies. The issues involved here are much the same as those discussed in the proposal for a payments union among the members of the former Council for Mutual Economic Assistance (CMEA). 2/ The essential objective of a payments union is to avoid an excessive contraction of trade during the period of transition towards current-account convertibility of the republican currencies. Two years ago the warnings of a severe collapse in intra-CMEA trade were ignored, and suggestions that a payment union might be useful as a transition measure were brushed aside. There are signs that the lessons of that collapse have been noted by some CIS members and that they are keen to avoid a repetition.

14. The above measures, if put into effect quickly, would establish a framework for macroeconomic stabilization and for stopping - and perhaps reversing - the rush towards autarky in the successor States of the former Soviet Union. However, if the measures are to be successful, substantial assistance will have to be provided by Western countries and the international institutions. This will have to include large-scale technical assistance in setting up banking and payments institutions as well as significant financial help.

15. The "republicanization" of monetary control will have to be supported by measures to control budget deficits, which means controlling public spending and/or maintaining or increasing tax revenue. Cuts in spending are extremely difficult when all the political pressures are for increases to soften the growing hardships arising from falling real consumption levels, rising unemployment and dislocation in the supply of goods. Western grant aid in the form of food, medicine and medical equipment can assist here in a wider role than a purely emergency one. On the side of revenue, technical assistance is urgently required to set up and operate effective tax collection systems.

16. The stabilization problem is now very urgent. Without significant help from the West in 1992, it is doubtful that domestic efforts alone can be successful. And without effective stabilization it is unlikely that the longer-run programmes for privatization, market liberalization and industrial restructuring can make any progress. Nevertheless, in the absence of adequate help from abroad, the CIS members will probably try to do something on their own and in so doing they are likely to focus on the two sectors where, despite the degradations of the former economic system, their products are still internationally competitive. The first is natural resources; although their development is hampered by supply-side problems which could eventually be overcome with the help of foreign capital and technology; the second is the armaments industry, which could probably resume export growth fairly quickly. An export drive in military weapons, however, would not perhaps be the most welcome form of self-reliance from the point of view of the "new world order".

B. Eastern Europe

17. In Eastern Europe the difficulties of transforming former Soviet-type systems into decentralized market economies became ever more apparent in 1991. Levels of output continued to fall sharply, even in the few countries where an upturn had been expected, and most people have had to bear large cuts in their standards of living. The popular enthusiasm for a new order that characterized the political revolutions of 1989 has given way to widespread feelings of anxiety and disappointment - and even bitterness that the pace of economic change has been unable to match the speed of political development. The fact that the earlier hopes of rapid economic transformation - encouraged by Western advisers and politicians no less than those in the East - were unrealistic is now irrelevant. Political leaders, not only in Eastern Europe, but also in the West, now have the task of preserving and reinforcing support for economic transformation in the face of increasing current hardships and the disappointment of initial expectations. In particular, they will have to counter the populist and reactionary charge that the hardships of the transition are in fact the "inevitable" properties of a market economy. In this task they will need the practical support of the international organizations and institutions.

18. It is generally accepted that the revolutions of 1989 were not foreseen. This was a major failure of political appreciation and of social science in both the Western countries and in the East. Yet despite this demonstration of a general lack of understanding of the dynamics of economic and social change, the revolutions were quickly followed by Western advisers explaining why there was "no alternative" to doing this or that if the transition to a market economy were to be successful, and by politicians declaring that the transition would be swift and painless. Given the failure to anticipate the upheavals of 1989, a greater amount of pragmatism might have been more appropriate, especially since one implication was that knowledge of the "initial states" from which the transition countries were departing was, at best, rudimentary. This began to be acknowledged at the beginning of 1991. In Germany, officials admitted that they had seriously underestimated the effects of "shock-therapy" on the Länder which had been subject to forty years of Communist rule. 3/ In his New Year's address, President Vaclav Havel referred to the "unpleasant surprises" of the previous year and announced that "the reconstruction we had planned for and looked forward to will take longer and cost far more than we first thought. What a year ago appeared to be a rundown house is in fact a ruin." 4/

19. These errors of analysis are having serious consequences. In Germany, the unexpected escalation in the budgetary costs of supporting reconstruction in the former GDR has led to a sharp increase in inflationary pressures and, via the impact of higher German interest rates working through the exchange rate mechanism of the European Monetary System (EMS), is having a depressing effect on the prospects for the recovery of activity throughout Western Europe. The electorates in the West (including North America) are unprepared for the scale of international assistance that will probably be required to ensure that the transition processes become self-sustaining; and those in the

East are also unprepared for the likely duration of their hardships. As suggested above, the political task of keeping the transition processes on course is now much more difficult than it was two years ago.

20. Another complication in creating realistic expectations and sustaining popular support for the transition process in Eastern Europe is that the destination is usually described in terms of a unique Western model which bears little relation to Western realities. One of the most powerful attractions of market economies and democratic systems is that they greatly enlarge the scope for choosing different arrangements for the conduct of economic and social affairs. There is no single Western model of democracy or of a market economy: around a core set of institutions and values there is considerable variation between, for example, Western Europe and the United States and Japan and even within Western Europe alone. It is also highly misleading to represent Western market economies as being ruled solely by market forces. The great achievement of the Western democracies, especially since the depression of the 1930s, has been to combine market driven efficiency and resource allocation with a concern for equity and social justice. Moreover, the fairly widespread existence of market failure, in the form of externalities or non-competitive behaviour, has led to a variety of forms of Government intervention, ranging from nationalization to various forms of regulation. The workings of Western market economies have therefore been greatly modified by Government intervention, the specific forms of which vary considerably among countries and have changed markedly over time. The policy debates and innovations of the 1980s have not really altered this picture: the State has handed over (or back) certain activities to the private sector in some countries, and there have been important changes in the institutions and forms of regulation of competitive behaviour. These changes have met with varying degrees of success, but one of the major criticisms made of them - in both the United States and the United Kingdom, for example - is that they have led to greater inequality. 5/ This alone is likely to lead to a reappraisal of the policies of the 1980s and to a renewed search for ways of improving the trade-off between equity and efficiency in the 1990s. To ascribe the relative success of the Western market economies solely to the uninhibited workings of free market forces both simplifies and underestimates their achievement: it has been the interactive evolution of a whole range of democratic, social and economic institutions and practices which have ensured the survival of Western "capitalism" and repeatedly falsified the Marxist prediction of its imminent collapse. This is a richer - and more inspiring - picture of "the market economy" than the "stripped-down" market efficiency model that is commonly presented to the electorates of Eastern Europe and of the successor States to the Soviet Union.

21. Many of the people in these countries must now be wondering whether the invisible hand of the market is really an iron fist. In Eastern Europe the depression deepened further in 1991 with domestic output levels falling on average by about 14 per cent. This follows an average fall of 10 per cent in 1990 and 2 per cent in 1989. Since 1988 the aggregate fall in output is nearly 25 per cent.

22. No country escaped the collapse of output in 1991, but the differences were considerable: in Bulgaria the fall was some 23 per cent; in Romania, Yugoslavia and Czechoslovakia, it ranged between 13 and 16 per cent; while in Hungary and Poland it was about 8 per cent.

23. All sectors have been hit by the recession. The fall in industrial output was particularly large in 1991: it averaged about 19 per cent with declines ranging from 12 per cent in Poland, the third successive year of falling output, to a reported 60 per cent in Albania, the poorest and least industrialized country in Europe.

24. Agricultural output also continued to fall, for the third year in succession, although the drop of 1 per cent was less than in 1990. In Yugoslavia output is actually reported to have risen, in both the social and private sectors, and there was also a small increase in Romania.

25. Although the development of the services sector is expected to provide an important boost to economic growth in the medium run, so far this has failed to materialize. However, the decline in the output of services has been less than in output as a whole, so there has been some shift in its share of national output. There is also probably a greater diversity of trends within services than in other sectors of the economies of eastern Europe: transport and trade have been badly affected by the falls in agricultural and industrial output, while health, education and other public services are being hit by the tightening of fiscal policies. However, business and financial services appear to be growing in Hungary and there has been some expansion in the communications sector in Poland.

26. In surveying this general picture of collapsing output in Eastern Europe, a decline which appears to be on the scale of the depression of the 1930s, a number of considerations have to be borne in mind. The first concerns the quality of the statistics on which the picture is based. Although many problems in this respect have been around for a long time, there has probably been a deterioration in the last few years as national statistical offices began to switch to new methods of collection of, in many cases, completely new sets of statistics. 6/ One consequence of this reorganization is that the private sector, particularly small enterprises, and new activities are still not being accurately reflected in the statistics. There is also a shift in reporting bias. Under the former "administered" regimes, enterprises tended to overstate their output levels in various ways in order to satisfy centrally determined targets and to boost their claims for bonuses and an increased allocation of investment funds. Now, the incentive is to understate production in order to avoid paying taxes, an incentive which is strengthened by the embryonic state of tax collection and enforcement systems. These factors probably lead to some exaggeration in the measured decline of production, but until better official figures are produced and published no one really knows the extent of the overstatement. Anecdotal evidence and a general consideration of the various factors influencing activity suggest that it is unlikely to be so large as to alter radically the general picture of a severe decline in production. In Poland and Hungary, the private sector is

relatively more important than elsewhere and it does appear to have been quite dynamic in 1991 in industry, construction and in some service sectors. This is a most encouraging development and one which is probably not fully reflected in the output figures - nevertheless, it is unlikely to have more than partially offset the collapse of the still very much larger State sectors.

27. The extent of the downturn in Eastern Europe is much greater than originally expected, although the disparity probably reflects the unrealism of the initial expectations as much as surprise developments. The proximate causes of the downturn were the introduction of large changes in relative price structures, which are central to price liberalization measures, and the restrictive macroeconomic policies introduced to curb accelerating inflation and government budget deficits. The simultaneous introduction of such policies in several countries generated negative multiplier effects throughout the region, which in turn were greatly amplified by the collapse of trade among the members of the former CMEA. The collapse of trade with the Soviet Union had a major impact on Eastern Europe, especially in the countries of south-eastern Europe where the disruption caused by shortages of energy and other supplies was exacerbated by severe foreign exchange constraints. These various domestic and exogeneous factors have interacted and intensified their ultimate impact on levels of activity.

28. Nevertheless, in spite of all these factors it is important to emphasize that a recession in output was unavoidable. The transition from a Soviet-type economy to a market economy must involve a large relative price shock as the system moves from an administered price structure to one based essentially on competitive world market prices. This shift in relative prices will benefit some activities in the transition economy, but it will weaken the competitiveness of others and of some to the point of extinction. Thus a proportion of the capital stock is rendered economically unprofitable, virtually overnight. How large a proportion will be "knocked out" in this way will depend on a number of factors including the initial disparity between domestic and world prices and on whether there are any arrangements in place to extend the adjustment period. It seems reasonable to assume that a very large proportion of the Eastern European capital stocks have been rendered economically obsolete in the manner described, especially in the industrial sector. 7/ So far, little progress has been made in reducing pollution and other environmental costs in the transition economies: but when action does get under way it will almost certainly lead to further reductions in the viable capital stocks, either through direct regulation or through the internalization of external costs.

29. Rebuilding the productive capacity of the former centrally planned economies requires a strong recovery in fixed investment, but the preconditions for this are not yet in place. Gross fixed investment fell on an average by 23 per cent in 1991, 8/ following declines of 2 and 14 per cent in 1989 and 1990 respectively. In other words, fixed investment has fallen by more than one third since 1988. The fall in fixed investment is general and in some countries (Bulgaria, Poland and Romania) has been under way since 1989. Over the last few years investment has fallen by about 19 per cent in Poland and Hungary and by nearly 50 and 60 per cent in Romania and Bulgaria.

30. The question of fixed investment is at the heart of the transformation process and the conditions for its recovery are largely co-terminous with those required for the transition itself. Private investment - foreign and domestic - is at present held back by a multitude of uncertainties concerning not only the medium-term economic outlook but also the putting into place of the entire structure of laws and institutions which are necessary conditions for a market economy to function. The one country which appears to have made significant progress in this regard is Hungary which attracted nearly $2 billion of foreign direct investment last year: nevertheless, even there, total investment is still falling and there are still few signs of any restructuring in industry.

31. Privatization is generally proving much more difficult than expected. In the leading tier of reformers (Czechoslovakia, Hungary and Poland) it is moving slowly, and elsewhere it has hardly begun. It therefore seems likely that for some time to come there will still be a relatively large State-run sector in the Eastern European economies. This will create problems for incentives in general and for the propensity to invest in particular. Private enterprises will be faced with continued uncertainty over the structure of their domestic markets, and the managers of State enterprises, in the absence of clear pre-privatization programmes (such as break-up (see below)) and commercialization, will have little or no incentive to invest.

32. It is widely assumed that once effective stabilization policies have corrected internal and external imbalances, and with a price reform carried through and a realistic exchange rate in place, private investment will take off to complete the transformation process. However, as the above observations imply and the current situation in Poland suggests, the timing of the two processes may not be synchronized. How can this timing gap be overcome? There seems to be little point in urging Governments to speed up the creation of new legal structures and market institutions. These are complicated matters and Governments are already going as fast as they can. A more effective approach might be to consider more active and explicit industrial policies on the part of Governments: these would include a whole range of "supply-side" measures to raise capacity and competitiveness, increase public infrastructure investment, introduce effective training programmes (including for management), and establish a monitoring system to reveal bottlenecks and market failures and encourage a quick response to remove them. The suggestion of a more active role for Governments may produce ideological reactions on the part of some advisers, but this is a nettle that may have to be grasped if the stabilization-structural transformation sequence does not proceed as it is assumed to do. If Eastern European Governments were to decide on such a course, it would be advisable to do so with the help and advice of one of the international organizations (such as the Organization for Economic Cooperation and Development (OECD)) that are familiar with such policies in the Western market economies.

33. Controlling inflation is a difficult task for the transition economies. They need to introduce programmes of price liberalization and secure significant changes in the structure of relative prices, while at the same

time the legacy of institutions and practices from the previous regime continues to undermine the effectiveness of the traditional tools of macroeconomic policy. Thus, credit policy is frequently being attenuated by the large-scale resort to inter-enterprise credits; and rising unemployment may be accompanied, perversely, by rising wages. 9/ The jump in the price level following price reforms was generally much larger than expected, and although inflation rates subsequently subsided they remain high. In Poland, inflation fell sharply in the first seven months of 1991, but it then accelerated again in the second half of the year, to 44 per cent a year in December. So far, policy makers in Czechoslovakia have been rather more successful in this respect: after the price reform of 1 January 1991, prices rose sharply in the first quarter but decelerated rapidly thereafter, a performance which partly reflects the more favourable conditions in which the Czechoslovak reform was launched but also the very tight control of budgetary policy. However, there was some acceleration again at the end of the year. In south-eastern Europe, the control of inflation is proving even more difficult: there has been a sharp acceleration in Romania and Yugoslavia since last summer, to annual rates of 367 per cent and 644 per cent respectively in December. In Bulgaria the initial acceleration in the rate of inflation following the price reform last February was sharply reduced by the spring, but thereafter it rose again and by December was running at an annual rate of 78 per cent.

34. The persistence of high inflation rates in the transition economies is in many ways a consequence of their transitional state: the "command" economy has been abandoned but many of its micro-economic features remain, weakening or undermining the effectiveness of fiscal and monetary policy. Some improvement can probably be made to the effectiveness of anti-inflationary macroeconomic policies - improvements in tax systems, perhaps a more determined use of incomes policies - but a significant and sustained reduction of inflation will also need more positive supply-side responses to the new relative price structures.

35. In 1990 one sign that the soft budget constraint was still operating in the transition economies was the relatively low levels of unemployment that were prevailing despite the large and widespread falls in output. This has changed considerably in the last year: the number of persons registered as unemployed in Eastern Europe more than doubled in the year to December 1991 when it stood at just under 6 million (excluding the former German Democratic Republic). Unemployment rates in Bulgaria and Poland were some 10-11 per cent in December and some 7-8 per cent in Czechoslovakia and Hungary. In Yugoslavia the rate at the end of the year was nearly 20 per cent. Although there are many uncertainties surrounding the precision of these figures, there seems to be little doubt that there has been a dramatic rise in joblessness in Eastern Europe.

36. As in the Western market economies, the burden of unemployment has tended to fall more heavily on women than on men, on the young, and on manual workers rather than the more educated. The number of long-term unemployed (those without a job for more than a year) also appears to be rising although, given

that open unemployment is a recent phenomenon in Eastern Europe, it is still relatively small compared with the numbers prevailing in Western Europe. Since, as noted above, the restructuring of the transition economies is still in its early stages, both the levels and duration of unemployment can be expected to continue rising even beyond the time at which output begins to recover.

II. DEMOCRATIC INSTITUTIONS AND THE PROCESS OF ECONOMIC TRANSFORMATION

37. Many of those arguing for the so-called "shock therapy" approach to the transformation of Eastern Europe do so, at least partly, because they fear that the forces of reaction are still strong and that incompetence and/or corruption in the bureaucracies may be holding back the transition process. 10/ This may exaggerate (or misinterpret) the situation in so far as many officials and bureaucrats can adapt quickly to changed conditions: as Edward Gibbon noted, also writing about a collapse of regime, "officers of the police or revenue easily adapt themselves to any form of government". 11/ Not all Government officials will possess the same degree of flexibility, but the key issues obviously include, just as in other sectors of the transition economy, the questions of skills and retraining, and the structure of incentives. Also, the administrative systems themselves will require radical alteration since they were designed to serve a very different political system from the one now being established. Moreover, it is not always a simple matter to distinguish between the faults of individuals and the much larger failings of the system in which they are required to operate. However, from the perspective of building support for the transition process, let alone from that of common justice, the distinction needs to be made. 12/ Clearly, if the economic reforms were to fail - or to look as if they might fail - then these same officials would be looking for the next best alternative rather than fighting for the current objectives. So the expectations of economic success are certainly crucial for gathering and maintaining both popular and bureaucratic support for the transition process. But, having said that, it might be questioned whether it is sensible to burden economic instruments with political and administrative considerations. Instead of, for example, trying to speed up the privatization process so as to remove the influence of incompetent or unqualified officials, it might be wiser to target the deficiencies in administration directly rather than risk a dangerous backlash from a flawed economic reform.

38. It is important to acknowledge the close interdependence between the objectives of economic reform and reconstruction, democratic institution building and security issues in the transition economies, but it is also wise to remember the macroeconomic policy advice to match targets and instruments. In broad terms, administrative instruments should be used to support institutional objectives, and economic instruments should not be overloaded with political targets. The question of privatization can be used to illustrate this point. In Western Europe, the privatization policies of the last decade or so have been essentially concerned with improving economic

efficiency, although some proponents have stressed the adjustment of the border between the democratic State and civil society as a matter of principle. In Eastern Europe the matter of economic efficiency is of course very important, but privatization is also regarded as the most prominent sign of the overthrow of the entire concept of the organic state. 13/ In other words, privatization in the former Communist countries is intimately connected to the creation of democratic States and the re-assertion of the claims of civil society. It is not surprising therefore that there are considerable pressures for privatization to be carried out as quickly as possible. However, the speed of privatization which might satisfy democratic and political objectives could be too fast for avoiding deleterious economic outcomes. It has been persuasively argued 14/ that the State monopolies of the former centrally planned economies should be broken up before they are privatized - otherwise, the highly concentrated production structures, characteristic of Soviet-type economies, would be maintained with a high probability of continued economic stagnation and weak incentives for improving economic efficiency. Such an outcome would not only increase the tensions noted above but would also make it easier to reverse the process at a later date - a possibility which is precisely what the proponents of rapid privatization claim to be avoiding. There are, in addition, many other technical and quasi-technical problems which must be overcome if privatization is to be economically successful. 15/ Skating over such problems in order to speed up the process could lead not only to sub-optimal outcomes but also to a backlash against the private sector as a whole. 16/ There is, however, already an extensive framework 17/ for providing technical expertise and assistance in the building and strengthening of democratic and administrative structures in the transition economies - and no doubt this could be strengthened further. Moreover, a number of conditions concerning respect for democracy, the rule of law and human rights, have already been set as requirements for receiving economic assistance from the G-24 countries and from the European Bank for Reconstruction and Development. 18/ There is, thus, both a framework for Western assistance for strengthening democratic institutions in Eastern Europe and the implicit threat of sanctions against a country which violates the preconditions for assistance. If the framework is used to the full and the threat remains credible, the fears of democrats in Eastern Europe will be reduced and the political overload removed from policies for economic restructuring. 19/

A. Western economic assistance

39. It is the view of most observers, in all parts of Europe, that the nascent democracies of Eastern Europe would be gravely threatened by a failure of the process of economic transformation. In order to avoid such an outcome, the Governments of the Western market economy countries have launched a number of initiatives to assist the countries of Eastern Europe and the CIS in their attempts to restructure their economies according to market principles. In the past year there has been an increase in the flow of official financial resources to the transition economies, an expansion of technical assistance, and an improvement in access to Western markets for Eastern products. The

established international financial institutions, the World Bank and the IMF, have increased their assistance to Eastern Europe and they have now been joined by the European Bank for Reconstruction and Development, which was inaugurated in April 1991.

40. One of the most important developments has been the improvement of market access to the European Community, which is the largest single western market for eastern goods. Quantitative restrictions on most manufactures had been abolished or suspended by the beginning of 1991 and all the Eastern European countries received Generalized System of Preferences treatment. Agricultural, steel and textile products are subject to separate arrangements, but for the latter two there has been some loosening of restrictions. Important gains in access were obtained by Czechoslovakia, Hungary and Poland as a result of their bilateral Association Agreements with the European Communities, which were signed in December 1991. These provide for the phasing in of free trade in non-agricultural goods between the parties to the Agreements over a 10-year period. 20/ Again, separate provisions apply to sensitive products such as textiles and steel, although there are improvements in both areas. There was, however, little improvement for agricultural products. Nevertheless, the Agreements offer important market opportunities for the Eastern European partners and constitute a significant step towards their full integration into the European economy. One disappointment for the three transition economies was that a date was not fixed for their eventual accession to full membership of the European Community. The setting of a date, however far away, could have had a positive effect in encouraging foreign direct investment in the three countries. Also, some policy makers would have welcomed such a date as a source of pressure in maintaining their progress towards a market economy: a succession of intermediate targets would have had to have been met according to the pre-determined timetable.

41. Trade liberalization is also under way to varying degrees in the other market economies. The EFTA has concluded a free trade agreement with Czechoslovakia and negotiations are continuing with Hungary and Poland; and the United States has improved access under the Trade Enhancement Initiative. It is important that this general movement to liberalize access continues and that it be extended as quickly as possible to all the economies in transition.

42. At the present moment, the outcome of the Uruguay Round is still in the balance, but a successful conclusion could provide important benefits to the Eastern countries. Apart from the gains from a general lowering of trade restrictions, an agreement to lower protection of agriculture in the developed market economies could especially benefit the export earnings of countries such as Bulgaria, Hungary, Poland and Ukraine.

43. Despite the considerable publicity given to the growing number of financial commitments to the transition economies, the amount of genuine aid (grants and concessionary finance) from the West has been small. Between January 1990 and June 1991 the total of commitments of assistance by the G-24 countries to Eastern Europe amounted to $32 billion. Commitments

extended to the CIS between September 1990 and January 1992 amounted to nearly $79 billion. Of the pledges to Eastern Europe, however, only about one fifth consists of grant aid, although there is in addition a certain grant element in some bilateral loans. The bulk of the assistance to Eastern Europe and the Soviet Union consists of non-concessionary finance and is, therefore, debt-creating. Virtually all loans have been made at market conditions, although there is some implicit subsidy since the Eastern countries either have little access to the international capital markets or have to pay a large premium over base interest rates.

44. The figures for commitments do not of course indicate the actual flows of funds into the transition economies. In the case of the CIS (ex-Soviet Union) gross disbursements in 1990-1991 were about $25 billion, less than one third of commitments. Disbursements lag behind commitments for a variety of reasons and may not occur at all if certain conditions or targets are not met by the potential recipient.

45. For 1990 it is estimated that total gross financial flows - private and official capital plus debt restructuring - to Eastern Europe were $9.7 billion, of which $1.7 billion (less than one fifth) was official aid. Only rough estimates are possible for 1991, but these suggest a doubling of the total gross flow to some $19.8 billion. However, this improvement is not expected to continue: because of an anticipated fall in IMF and G-24 lending, the total in 1992 is expected to be around $14.5 billion. In all three years debt restructuring accounts for a large proportion of the gross flow.

46. In terms of the net transfer of resources the situation is even less promising. In 1990 there was a net outflow of financial resources from Eastern Europe as the withdrawal of funds by commercial banks and large payments for debt servicing by Poland and Hungary more than offset the inflow of new funds. In 1991 there was a net inflow of $4.4 billion, with only Poland continuing to have a net outflow, but it is difficult to be confident that this improvement will continue in 1992. For the Soviet Union, an official net inflow of medium- and long-term assistance of some $6.5 billion in 1990-1991 was more than offset by the withdrawal of a net $15 billion of private short-term credit.

47. Western official financial aid for the countries of Eastern Europe, and for the successor States of the Soviet Union, is, so far, considerably smaller than the sums implied either in a "Marshall Plan equivalent" ($16.7 billion a year) or in the suggestion of the President of the Commission of the European Communities to provide the equivalent level of support as the Community gives to its own depressed regions ($23 billion a year, excluding the former Soviet Union). 21/

48. Inflows of private capital into the Eastern countries have generally been disappointing. Foreign direct investment in Hungary and Czechoslovakia has been encouraging but elsewhere it is negligible. Private banks abroad have reduced their lending, including to these two countries, and in general, as noted above, private capital has tended to flow out of the region. This

suggests that one of the main elements in the Western approach to helping the transition - promoting structural change with large amounts of foreign private capital - has not yet started to work.

49. As regards the mobilization of funds for balance of payments support for the Eastern European countries, the record has been mixed. When it appeared in 1990 that most Eastern European countries would face a financing gap in 1991, partly as a result of the Gulf crisis and higher oil prices, the G-24 and the international financial institutions moved quickly to arrange the necessary credits. These operations proved successful for Czechoslovakia and Hungary, but the necessary financing could not be raised for Bulgaria and Romania. In several cases donor countries did not contribute as much as had been expected. However, the flexibility of the current arrangements also proved inadequate. Creditors tend to adhere to their established practices and timetables for disbursing funds, and there is no arrangement to take up the slack if a major G-24 contributor falls behind schedule in meeting its commitments or fails to contribute as agreed.

50. While some transition countries built up their reserves during 1991, and are perhaps less dependent on the quick disbursal of G-24 funds, the avoidance of further economic and social dislocations in Albania, Bulgaria and Romania is likely to continue to depend on timely access to funds.

51. There continues to be a problem with the overall framework for coordinating assistance to the transition economies. At the last ministerial meeting of the G-24, in November 1991, ministers noted the need for more effective support for the transition process and in particular for a more rapid disbursement of resources, increased information sharing among donors to avoid duplication, and closer cooperation between the international financial institutions and the G-24. 22/ This may be difficult to achieve given the desire of some G-24 Governments and international institutions to guard their independence in such matters and the lack of clear institutional arrangements for overall coordination.

52. The question of coordination 23/ is not just a question of keeping registers of projects and avoiding duplication among donors, important though that may be. Arrangements also need to be made for assessing assistance in relation to the requirements of the transition countries - and for assessing those requirements.

53. Aid and technical assistance are essentially forms of government intervention designed to overcome bottlenecks to economic growth which, for one reason or another, are not being removed by market forces. In countries where the price mechanism is weak, economic rigidities are likely to persist. By definition, this is true, to widely varying degrees, of the transition economies. For private capital to take over the driving role in the transition process, it is necessary to identify first the constraints on private sector growth and the ways in which they might be overcome with official assistance. It is also necessary to identify which of the constraints is binding at any given time in any given country. Thus, in some

of the development models of the 1960s, it was customary to identify constraints arising from inadequate levels of domestic saving or from shortages of foreign exchange: either could restrain the rate of fixed investment, but for effective policy formulation it was necessary to know which one should be targeted. Other constraints may arise from a shortage of skilled labour or, as is likely to be the case in the transition economies, from the absence of crucial elements in the institutional structure required for the existence of (reasonably) efficient markets. To formulate consistent sets of economic policies and focus assistance where it will be most effective thus requires a macroeconomic framework in which government objectives (concerning the growth of output, the unemployment rate, etc.) are related to the effective limits to growth.

54. So far, none of the transition economies or aid-providing countries appear to have adopted such a broad approach to coordination. The background papers occasionally and voluntarily prepared for meetings of the G-24 by the transition countries typically report on recent progress with reform, on recent economic developments and the short-term outlook. Only Poland has produced a fairly comprehensive account of the reforms and projects the Government hopes to implement, but even this refers only to the coming year and does not address the issues in a framework such as that suggested. In this respect a great many useful lessons can be learned from the way in which Marshall Aid for Western Europe was organized in the Organization for European Economic Cooperation.

55. Another advantage of a clearer and more coherent framework for organizing Western assistance for the transition process is that it could play an important role in building confidence in the various reform and restructuring programmes. In some countries, especially some of the members of the CIS, there is a problem of confidence on the part of populations who have seen a series of "plans" come to nothing (or very little) and remain very sceptical towards new sets of proposals. In such circumstances, the credibility of a new reform programme could probably be enhanced with the support of a major international group such as IMF or the G-7. However, to have a significant effect on expectations, the programme should be seen to have been thoroughly analysed and discussed and the support of the international community must be publicly known.

56. More broadly, a clearly defined framework could provide a more "general safety net" for the transition process in which the inevitable mistakes could occur without damaging confidence. It is in such a context that the ECE secretariat has proposed 24/ the creation of a second European recovery programme in which the commitment of Western Governments to the ultimate success of the transition process would be made more explicit. Many historians point to the important role of the confidence effects of Marshall Aid and the United States' commitment to its success in the reconstruction of Western Europe after the war. Today, only the new Eastern German Länder have a similar degree of commitment to the success of their transformation programme.

57. However, this does raise the question of the strength of Western Governments' practical commitment to the reconstruction of Eastern Europe and the former Soviet Union. As noted above, the amounts of genuine aid being given to them are very small and there seems little prospect of a significant increase in the immediate future. Many Western Governments feel constrained by their own budgetary problems and by the deteriorating short-term prospects for their own economic growth. With rising unemployment at home, it is difficult for foreign assistance to qualify as a high priority. Some Governments clearly hope that the problems of the transition economies can be left in large measure to the IMF and the World Bank. However, the IMF is still denied the 50 per cent increase in its quota which is necessary to meet the growing demands on its resources, especially from the Eastern countries, and a $1.3 billion increase in the capital of the International Finance Corporation (IFC) - an affiliate of the World Bank - is still not approved although it is being asked to increase its support for private sector projects. The danger is that the growing introspection of some of the leading Western countries will only be broken by the onset of a major crisis in one of the transition economies and that this could lead subsequently to hasty measures which would probably be less than optimal.

Notes

1/ For details on the different republics, see Economic Commission for Europe, Economic Survey of Europe in 1991-1992 (United Nations publication, forthcoming), chap. 4.4.

2/ See Economic Commission for Europe, Economic Survey ... 1989-1990 (United Nations publication, Sales No. 90.II.E.1), chap. 3.4.

3/ See the interview with Mr. Otto Schlecht, State Secretary at the Economics Ministry, Bonn, in the Financial Times, 29 April 1991.

4/ President Havel's address was published in English in The New York Review of Books, 7 March 1991, pp. 19-20.

5/ See Dieter Helm, Colin Mayer and Ken Mayhew, "Microeconomic policy in the 1980s", Oxford Review of Economic Policy, vol. 7, No. 3 (autumn), 1991.

6/ See Economic Commission for Europe, Economic Bulletin for Europe, vol. 43 (United Nations publication, Sales No. 97.II.E.39), pp. 4-5.

7/ Detailed studies are still in short supply, but the existence of negative value added, when measured at world prices, has been shown to exist in several manufacturing industries. See G. Hughes and P. Hare, "Competitiveness and industrial restructuring in Czechoslovakia, Hungary and Poland", European Economy, Commission of the European Communities, Brussels, special edition, No. 2, pp. 57-110.

8/ This figure excludes Yugoslavia.

Notes (continued)

9/ On this, see Economic Commission for Europe, Economic Survey ... 1991-1992, chap. 3.2.

10/ See Anders Aslund, letter to the Financial Times, London, 6 March 1992.

11/ Edward Gibbon, The Decline and Fall of the Roman Empire, vol. I (Oxford University Press, World's Classics Edition, 1903), p. 75.

12/ One qualified observer has argued that the majority of personnel running the courts in the Soviet Union were honest and decent people. "But the system as a whole, the entire mechanism of law enforcement ... led to a perversion of the law and the erosion of human rights for all - the accused, the investigators and the judges themselves." Anatoly Sobchak, For a New Russia (London, 1992).

13/ The term is used as in T. D. Weldon, States and Morals (London, John Murray, 1962 edition).

14/ David M. Newberry, "Sequencing the transition", CEPR Discussion Paper Series (London), No. 575, August 1991.

15/ For an extensive discussion, see Economic Commission for Europe, Economic Survey ... 1991-1992, chap. 6.

16/ There is, for example, a lack of expertise in many areas in government and State enterprises which needs to be remedied. There are widespread hopes that privatization and restructuring can be speeded up with the help of Western private capital, but many government officials lack experience in dealing with Western companies and are unfamiliar with international management contracts and competitive bidding methods. Mr. Anthony Pellegrini, Head of the World Bank's infrastructure division, has recently expressed concern in this regard with respect to the water industry in Eastern Europe, where some Western firms have offered local government authorities contracts containing "dubious terms". See Financial Times, 12 March 1992.

17/ For example, contacts between parliamentarians are maintained through the Western European Union, the Council of Europe, the Inter-Parliamentary Union, and so on. Also, within the Conference on Security and Cooperation in Europe (CSCE), the Office for Democratic Institutions and Human Rights will serve as an information exchange for technical assistance available for institution building in the new democracies.

18/ These preconditions for economic assistance are also among the five conditions laid down by the Foreign Affairs Council of the European Community on 16 December 1991, which would have to be met before the independence of any of the Yugoslav republics would be recognized.

Notes (continued)

19/ Uncertainty and the threat of instability in Eastern Europe has also been greatly increased by the disintegration of the Soviet Union. This has not only created severe economic disruption through the sudden collapse of trading links, but has also added to the fears of the Eastern European countries for their security. A framework for cooperation on security issues per se is also developing and includes the CSCE and the new North Atlantic Cooperation Council which met for the first time on 20 December 1991.

20/ For details of the Agreements see Economic Commission for Europe, Economic Survey ... 1991-1992, chap. 5.3.

21/ Economic Commission for Europe, Economic Survey ... 1989-1990. p. 13.

22/ The coordination of emergency aid and other assistance to members of the CIS was discussed at the Washington conference on 22-23 January 1992 and will be followed up at another conference in Lisbon in the spring.

23/ For a more detailed discussion of the coordination issue, and one which places it in the context of proposals for a Second European Recovery Programme, see Economic Commission for Europe, Economic Survey ... 1989-1990, pp. 25-26, Economic Survey ... 1990-1991, p. 7; and Economic Bulletin for Europe, vol. 43 (United Nations publication, Sales No. 91.II.E.39), pp. 8-9.

24/ See Economic Commission for Europe, Economic Bulletin ..., vol. 43, pp. 7-9.